

In the opinion of Bond Counsel, under current law and subject to conditions described in the section herein “LEGAL OPINION AND TAX EXEMPTION,” interest on the 2005A Bonds (1) will be excludable from gross income for federal income tax purposes, and (2) will not be a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Such interest may be included in the calculation of a corporation’s alternative minimum taxable income and will be subject to other federal income tax consequences as described in the section “LEGAL OPINION AND TAX EXEMPTION”. Bond Counsel is further of the opinion that interest on the 2005A Bonds will be excludable from gross income for purposes of income taxation by the Commonwealth of Virginia.

\$26,045,000
CITY OF NORFOLK, VIRGINIA
Parking System Revenue Refunding Bonds
Series 2005A

Dated: Date of Delivery

Due: As shown on the inside cover page

The 2005A Bonds will be issued as fully registered bonds and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the 2005A Bonds under a book-entry only system. So long as Cede & Co. is registered owner of the 2005A Bonds, as the nominee for DTC, (1) references herein to the Owner or registered owner shall mean Cede & Co. and (2) principal, premium, if any, and interest shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal, premium, if any, and interest to the DTC participants for subsequent disbursements to the beneficial owners of the 2005A Bonds. Individual purchases will be made in book-entry form only, in denominations of \$5,000 or integral multiples thereof. Bond certificates will be held at DTC and will not be available for delivery to investors (See “BOOK-ENTRY ONLY SYSTEM” herein). The 2005A Bonds will bear interest from the date of delivery, payable semiannually on February 1 and August 1, commencing August 1, 2005. The 2005A Bonds will be subject to optional and mandatory redemption prior to maturity as more fully set forth herein.

Proceeds of the 2005A Bonds will be applied (i) to advance refund a portion of the City of Norfolk’s (the “City”) \$54,450,000 Parking System Revenue Bonds, Series 1997, and (ii) to pay certain costs of issuance of the 2005A Bonds.

The 2005A Bonds are limited obligations of the City payable solely, except as otherwise described herein, from Net Revenues derived from the City’s Parking System and other funds pledged for their payment under the terms of the Master Indenture of Trust dated as of February 1, 1997, as supplemented, between the City and U. S. Bank Trust National Association, as successor Trustee. Neither the faith and credit of the Commonwealth of Virginia nor the faith and credit of any county, city, town or other political subdivision of the Commonwealth of Virginia, including the City, will be pledged to the payment of principal of, premium, if any, or interest on the 2005A Bonds.

Payment of the principal of and interest on the 2005A Bonds when due will be insured by a municipal bond insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the 2005A Bonds.



The 2005A Bonds are subject to redemption prior to maturity as described herein.

The 2005A Bonds are offered when, as and if issued, and received by the Underwriter and subject to the approval of validity by McGuireWoods LLP, Richmond, Virginia, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by the City Attorney and for the Underwriter by Kaufman & Canoles, P.C., Norfolk, Virginia, counsel to the Underwriter. It is expected that the 2005A Bonds will be available through the facilities of DTC for delivery in New York, New York, on or about June 15, 2005.

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors should read the entire Official Statement to obtain information essential to making an informed investment decision.

Banc of America Securities LLC

May 25, 2005

PARKING SYSTEM REVENUE REFUNDING BONDS
SERIES 2005A
(BASE CUSIP NUMBER 655899)

\$1,940,000 4.00% Term Bonds due February 1, 2019 Priced at 100% , CUSIP Suffix: CV2
\$5,170,000 5.00% Term Bonds due February 1, 2021, Priced at 107.921%* , CUSIP Suffix: CN0
\$5,710,000 5.00% Term Bonds due February 1, 2023, Priced at 107.342%* , CUSIP Suffix: CQ3
\$6,285,000 5.00% Term Bonds due February 1, 2025, Priced at 106.685%* , CUSIP Suffix: CS9
\$6,940,000 5.00% Term Bonds due February 1, 2027, Priced at 106.276%* , CUSIP Suffix: CU4

* Priced to first optional call date of 2/1/2015

CITY OF NORFOLK, VIRGINIA

CITY COUNCIL

Paul D. Fraim, Mayor
Daun S. Hester, Vice Mayor
Anthony L. Burfoot
Paul R. Riddick
Donald L. Williams
Barclay C. Winn
W. Randy Wright

MUNICIPAL OFFICIALS

Regina V.K. Williams, City Manager
Stanley A. Stein, Director of Facility and Enterprise Management
Steven G. de Mik, Director of Finance
Bernard A. Pishko, City Attorney

BOND COUNSEL
McGuireWoods LLP
Richmond, Virginia

FINANCIAL ADVISOR
Public Financial Management, Inc.
Arlington, Virginia

**INDEPENDENT CERTIFIED PUBLIC
ACCOUNTANTS**

Cherry Bekaert & Holland
Virginia Beach, Virginia

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IN CONNECTION WITH THE OFFERING OF THE 2005A BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2005A BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

All quotations from, and summaries and explanations of, provisions of law and documents in this Official Statement do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made under it will, under any circumstances, create any implications that there has been no change in the affairs of the City or the Parking System since the respective dates as of which information is given in this Official Statement.

No dealer, broker, salesman or any other person has been authorized by the City or the Underwriter to give any information or to make any representations with respect to the City, the Parking System or the 2005A Bonds, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriter. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy the 2005A Bonds in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy of completeness of such information.

OFFICIAL STATEMENT

Relating to the Issuance of

\$26,045,000

City of Norfolk, Virginia

Parking System Revenue Refunding Bonds

Series 2005A

INTRODUCTORY STATEMENT

The purpose of this Official Statement, including the information contained in the attached Appendices, is to furnish information relating to the City of Norfolk, Virginia (the “City”), the facilities constituting the City’s parking system (the “Parking System”) and the sale of its \$26,045,000 Parking System Revenue Refunding Bonds, Series 2005A (the “2005A Bonds”). This Official Statement has been authorized by the City for use in connection with the sale of the 2005A Bonds.

The City has undertaken to comply with the provisions of Rule 15c2-12, promulgated by the Securities and Exchange Commission (the “SEC”) as in effect on the date hereof, by providing annual financial information with respect to the Parking System and material event notices with respect to the 2005A Bonds as required by the Rule. See the section herein “CONTINUING DISCLOSURE” and “FORM OF CONTINUING DISCLOSURE AGREEMENT” included as Appendix E to this Official Statement.

Certain capitalized terms not otherwise defined in this Official Statement have the meanings set forth in the Indenture (hereinafter defined). See “DEFINED TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” included as Appendix B to this Official Statement.

All financial and other information presented in this Official Statement has been provided by the City and other sources that are believed to be reliable. The presentation of information is intended to show recent historic information and is not intended, unless specifically stated, to indicate future continuing trends in the financial position or other affairs of the Parking System. No representation is made that past experience, as is shown by such financial and other information, will necessarily continue or be repeated in the future.

This Official Statement should be considered in its entirety, and no one subject discussed should be considered less important than any other by reason of its location in the text. Reference should be made to laws, reports or other documents referred to in this Official Statement, including the Indenture, for more complete information regarding their contents.

DESCRIPTION OF THE 2005A BONDS

General

The 2005A Bonds have been authorized by an Ordinance enacted by the City Council of the City on March 1, 2005 (the "Bond Ordinance"). The proceeds of the 2005A Bonds will be applied (i) to advance refund a portion of the City's \$54,450,000 Parking System Revenue Bonds, Series 1997, and (ii) to pay certain costs of issuance of the 2005A Bonds. See the section herein "PLAN OF FINANCE;" see also "SOURCES AND USES OF FUNDS."

The 2005A Bonds will be issued pursuant to the Public Finance Act of 1991, Chapter 26 of Title 15.2 of the Code of Virginia of 1950, as amended (the "Act"). The 2005A Bonds are being issued under a Master Indenture of Trust, dated as of February 1, 1997 (the "Master Indenture"), between the City and U. S. Bank Trust National Association, as successor Trustee to Crestar Bank (the "Trustee") and a Seventh Supplemental Indenture of Trust, dated as of June 1, 2005 (the "Seventh Supplemental Indenture"), between the City and the Trustee. The Master Indenture, as supplemented by the First Supplemental Indenture, dated as of February 1, 1997 (the "First Supplemental Indenture"), the Second Supplemental Indenture, dated as of February 15, 1999 (the "Second Supplemental Indenture"), the Third Supplemental Indenture, dated as of October 1, 2000 (the "Third Supplemental Indenture"), the Fourth Supplemental Indenture, dated as of October 1, 2000 (the "Fourth Supplemental Indenture"), the Fifth Supplemental Indenture, dated as of October 1, 2004 (the "Fifth Supplemental Indenture"), the Sixth Supplemental Indenture, dated as of October 1, 2004 (the "Sixth Supplemental Indenture") and the Seventh Supplemental Indenture, is referred to in this Official Statement as the "Indenture." The 2005A Bonds are the seventh series of Bonds issued under the Master Indenture. See "PARKING SYSTEM DEBT SERVICE REQUIREMENTS."

The 2005A Bonds are limited obligations of the City payable solely from Net Revenues derived from the Parking System and certain reserves. Neither the faith and credit of the Commonwealth of Virginia nor the faith and credit of any county, city, town or other subdivision of the Commonwealth of Virginia, including the City, is pledged to the payment of the principal of, premium, if any, or interest on the 2005A Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2005A BONDS."

The 2005A Bonds will be issued in authorized denominations of \$5,000, or integral multiples thereof. The 2005A Bonds will be held in book-entry only form by The Depository Trust Company, New York, New York ("DTC"), or its nominee, as securities depository with respect to the 2005A Bonds as described below.

The 2005A Bonds will be issued as fully registered bonds and when issued will be registered in the name of Cede & Co., as nominee of DTC. Individual purchases of the 2005A Bonds will be made in book-entry form only. The 2005A Bonds will be dated their date of delivery and will mature on February 1 in the years and amounts and bear interest at the rates set forth on the inside cover page of this Official Statement. Interest on the 2005A Bonds will be payable semi-annually on February 1 and August 1, commencing August 1, 2005. The Trustee

will act as paying agent for the 2005A Bonds under the Indenture. The 2005A Bonds will be subject to optional and mandatory redemption prior to their stated maturities as described below.

Redemption of 2005A Bonds

Optional Redemption. The 2005A Bonds will be subject to redemption prior to their respective maturities on or after February 1, 2015, at the option of the City, in whole or in part (in increments of \$5,000) at any time, at a price equal to 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption.

Mandatory Redemption. The 2005A Bonds maturing on February 1, 2019, are subject to mandatory redemption prior to maturity beginning February 1, 2006, and annually on each February 1 thereafter, in the years and at the principal amounts set forth below at a redemption price equal to the principal amount of the 2005A Bonds to be redeemed, plus accrued interest to the date of redemption.

<u>Year</u>	<u>Amount</u>
2006	\$ 75,000
2007	40,000
2008	40,000
2009	1,440,000
2010	30,000
2011	30,000
2012	30,000
2013	30,000
2014	35,000
2015	35,000
2016	35,000
2017	40,000
2018	40,000
2019*	40,000

*Final Maturity

The 2005A Bonds maturing on February 1, 2021, are subject to mandatory redemption prior to maturity beginning February 1, 2020, and annually on each February 1 thereafter, in the years and at the principal amounts set forth below at a redemption price equal to the principal amount of the 2005A Bonds to be redeemed, plus accrued interest to the date of redemption.

<u>Year</u>	<u>Amount</u>
2020	\$ 2,520,000
2021*	2,650,000

*Final Maturity

The 2005A Bonds maturing on February 1, 2023, are subject to mandatory redemption prior to maturity beginning February 1, 2022, and annually on each February 1 thereafter, in the years and at the principal amounts set forth below at a redemption price equal to the principal amount of the 2005A Bonds to be redeemed, plus accrued interest to the date of redemption.

<u>Year</u>	<u>Amount</u>
2022	\$ 2,785,000
2023*	2,925,000

*Final Maturity

The 2005A Bonds maturing on February 1, 2025, are subject to mandatory redemption prior to maturity beginning February 1, 2024, and annually on each February 1 thereafter, in the years and at the principal amounts set forth below at a redemption price equal to the principal amount of the 2005A Bonds to be redeemed, plus accrued interest to the date of redemption.

<u>Year</u>	<u>Amount</u>
2024	\$ 3,065,000
2025*	3,220,000

*Final Maturity

The 2005A Bonds maturing on February 1, 2027, are subject to mandatory redemption prior to maturity beginning February 1, 2026, and annually on each February 1 thereafter, in the years and at the principal amounts set forth below at a redemption price equal to the principal amount of the 2005A Bonds to be redeemed, plus accrued interest to the date of redemption.

<u>Year</u>	<u>Amount</u>
2026	\$ 3,385,000
2027*	3,555,000

*Final Maturity

The City will receive a credit against payments required to be made with respect to any 2005A Bonds on any mandatory redemption date in an amount equal to the principal amount of any 2005A Bonds subject to mandatory redemption on such date that have been redeemed (other than by mandatory redemption) before such mandatory redemption date or that have been purchased by the City or the Trustee on behalf of the City and delivered to the Trustee for cancellation prior to such mandatory redemption date, provided such 2005A Bonds have not previously been applied as a credit against any mandatory redemption payment. The credit will be applied in inverse order against payments required to be made on mandatory redemption dates, unless otherwise directed by the City.

Method of Selecting Bonds for Redemption.

If less than all of the 2005A Bonds are to be called for optional redemption, the maturities to be called will be as directed by the City in such manner as the City determines to be in its best interests. If less than all of any maturity of the 2005A Bonds is to be called for optional or mandatory redemption, the 2005A Bonds, as applicable, within each maturity to be redeemed will be selected by the Paying Agent in a manner which the Paying Agent determines to be appropriate and fair; provided, however, that, so long as the 2005A Bonds are held in book-entry only form by DTC, the 2005A Bonds, as applicable, within a maturity to be redeemed will be selected by DTC by lot.

Notice of Redemption of 2005A Bonds

In the case of any redemption of any of the 2005A Bonds, the Paying Agent will cause notice of the redemption to be mailed by certified or registered mail, not less than thirty (30), nor more than sixty (60), days before the date fixed for redemption, to the Owners of the 2005A Bonds called for redemption, at their respective addresses as they last appear on the registration books maintained by the Paying Agent. The receipt of notice will not be a condition precedent to the redemption and failure to mail any notice to an Owner or any defect in any notice will not affect the validity of the proceedings for the redemption of the 2005A Bonds, as applicable, with respect to which such notice was duly given.

The Paying Agent shall give further notice of such redemption not less than one day before the date on which it gives notice of redemption to the Owners by certified or registered mail to (i) the senior managing underwriter for the 2005A Bonds, (ii) all registered national securities depositories then in the business of holding substantial amounts of obligations of types similar to the 2005A Bonds (as of the date of the execution of this Official Statement such depositories being DTC, Midwest Securities Trust Company of Chicago, Illinois, and Pacific Securities Depository Trust Company of San Francisco, California), and (iii) to at least one national information service that disseminates notices of redemption of obligations such as the 2005A Bonds. Notwithstanding the foregoing, no defect in such further notice and no failure to give all or any portion of such further notice shall in any manner affect the effectiveness of a call for redemption.

Any notice of redemption mailed in the manner specified above shall be deemed to have been duly given when mailed by the Paying Agent.

All notices of redemption shall be given in the name of the City, shall identify the 2005A Bonds or portions thereof to be redeemed by name, certificate number, CUSIP number, interest rate, maturity date and date of issue, shall specify the date such notice is mailed, the redemption date and the redemption price and shall state that on the redemption date the 2005A Bonds or portions thereof called for redemption will be payable at the Paying Agent's designated corporate trust office and that from that date interest will cease to accrue. In preparing any notice of redemption, the Paying Agent shall take into account, to the extent applicable, the prevailing tax-exempt securities industry standards and any regulatory statement of any federal or state administrative body having jurisdiction over the City or the tax-exempt securities

industry, including without limitation, Release No. 34-23856 of the SEC or any subsequent amending or superseding release.

Notwithstanding anything to the contrary contained in the Indenture, with respect to any notice of redemption of the 2005A Bonds in accordance with the Indenture, unless, upon the giving of such notice, the 2005A Bonds to be redeemed shall have been deemed to have been paid and no longer Outstanding within the meaning of the Indenture, such notice will state that such redemption is conditional upon the receipt by the Paying Agent on or before the date fixed for redemption of moneys sufficient to pay the principal of and interest on the 2005A Bonds to be redeemed, and that if such moneys are not so received, the notice will be of no force and effect and the City will not be required to redeem such 2005A Bonds. If such notice of redemption contains such a condition and the moneys are not so received, the redemption will not be made and the Paying Agent within a reasonable time thereafter will give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

As long as the book-entry only system is used for determining ownership of the 2005A Bonds, the City shall send notice of redemption to DTC or its nominee, or its successor. Any failure of DTC or its nominee or of a Direct Participant or Indirect Participant to notify a Direct Participant, Indirect Participant or Beneficial Owner of any 2005A Bond called for redemption will not affect the validity of the proceedings for the redemption of such 2005A Bond.

BOOK-ENTRY ONLY SYSTEM

The 2005A Bonds, when issued, will be registered in the name of Cede & Co., DTC's partnership nominee. When the 2005A Bonds are issued, ownership interests will be available to purchasers only through a book-entry system maintained by DTC (the "Book-Entry-Only System"). One fully-registered bond certificate will be issued for the entire aggregate principal amount of the 2005A Bonds and will be deposited with DTC.

DTC and its Participants. DTC is a limited-purpose trust company organized under the New York Bank Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and Non-U.S. equity issues, corporate and municipal debt issues and money market instruments from over 85 countries that DTC's participants (the "Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry-only changes in DTC Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of its Direct Participants and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (the "NSCC", "GSCC", "MBSCC", and "EMCC", also

subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc. (the “NYSE”), the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct DTC Participant, either directly or indirectly (the “Indirect Participants” and, together with the Direct Participants, the “Participants”). DTC has Standard & Poor’s highest rating: AAA. The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchase of Ownership Interests. Purchases of the 2005A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2005A Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2005A Bond (a “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through whom such Beneficial Owners entered into the transaction. Transfers of ownership interests in the 2005A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2005A Bonds, except as specifically provided in the Bond Indenture in the event that use of the book-entry-only system is discontinued.

Payments of Principal, Premium, if any, and Interest. Redemption proceeds, principal, and interest payments on the 2005A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts, upon DTC’s receipt of funds and corresponding detail information from the Trustee on the payable date in accordance with their respective holdings shown on DTC’s records, unless DTC has reason to believe it will not receive payment on such date. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with municipal securities held for the accounts of customers in bearer form or registered in “street name”, and will be the responsibility of such Participant and not of DTC, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2005A Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2005A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of the 2005A Bonds may wish to ascertain that the nominee holding the 2005A Bonds

for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2005A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2005A Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2005A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

NEITHER THE CITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENT TO, OR THE PROVIDING OF NOTICE FOR, SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES.

Transfers of 2005A Bonds. To facilitate subsequent transfers, all 2005A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the 2005A Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2005A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2005A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

None of the City, the Underwriter or the Trustee will have any responsibility or obligation, legal or otherwise, to any party other than to the registered owners of any Bond as shown on the registration books of the Trustee.

Discontinuance of Book-Entry-Only System. In the event (i) DTC determines not to continue to act as securities depository for the 2005A Bonds or (ii) the City and the Trustee, determine in accordance with the terms of the Indenture that (a) DTC is incapable of discharging its duties or (b) it is in the best interests of the holders of the 2005A Bonds not to continue the Book-Entry-Only System or that interests of the Beneficial Owners of the 2005A Bonds might be adversely affected if the Book-Entry-Only System is continued, then the City will discontinue the Book-Entry-Only system with DTC. Upon the occurrence of the event described in (i) or (ii)(a) above, the City will attempt to locate another qualified securities depository. If the City fails to identify another qualified securities depository to replace DTC or makes the determination noted in (ii)(b) above, the Trustee will authenticate and deliver the 2005A Bonds in accordance with the Indenture.

SECURITY AND SOURCES OF PAYMENT FOR THE 2005A BONDS

Bond Insurance

Payment of the principal and interest on the 2005A Bonds when due will be insured by a municipal bond insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the 2005A Bonds. See “MUNICIPAL BOND INSURANCE” and Appendix F to this Official Statement.

Pledge Under the Indenture (Security for all Bonds issued under the Indenture)

The 2005A Bonds, all Bonds previously issued under the Indenture, and any additional Bonds issued under the Indenture (collectively, the “Bonds”) are or will be limited obligations of the City payable from Net Revenues and reserves held for such purpose. “Net Revenues” is defined in the Indenture as Revenues less Operating Expenses of the Parking System. As defined in the Indenture, “Revenues” include all revenues, receipts and other income derived or received by the City from the ownership or operation of the Facilities, including, without limitation, investment earnings and any transfers from the Rate Stabilization Fund to the Revenue Fund but excluding (i) any gift, grant or contribution to the extent restricted by the donor or grantor to a particular purpose inconsistent with its use for the payment of debt service, (ii) proceeds derived from insurance or condemnation and (iii) any transfers from the Revenue Fund to the Rate Stabilization Fund. “Facilities,” as defined in the Indenture, include the parking facilities or the interests therein owned or operated by or on behalf of the City, including, but not limited to, any Project and all additions, extensions, improvements and replacements to the Facilities, and any other parking facility which may be added by the City as a part of the Facilities pursuant to the Indenture, but excluding any independent parking facilities hereafter owned or operated by the City and accounted for separately by the City unless made a part of the Facilities by the City. “Operating Expenses,” as defined in the Indenture, include all expenses which may reasonably be determined by the City in its Annual Budget to be directly or indirectly attributable to the ownership or operation of the Facilities and payable as Operating Expenses without regard to the treatment of such expenses under generally accepted accounting principles, including, without limitation, reasonable and usual expenses of administration, operation, maintenance and repair, which may include expenses not annually recurring, costs of billing and collecting the rates, fees and charges for the use of or the services furnished by the Facilities, insurance and surety bond premiums and reserves, other charges and fees necessary for the maintenance of adequate insurance coverage for the City and the Facilities, fees and payments for any Credit Facility, legal, engineering and auditing expenses, expenses and compensation of the Trustee, reimbursement to the City’s general fund for the cost of services rendered with respect to the Facilities, and other expenses of the City required to be paid by law or under the Indenture, but do not include (i) any allowance for amortization or depreciation, (ii) deposits or transfers to the Bond Fund, the Parity Debt Service Fund, the Debt Service Reserve Fund, the MacArthur Center Garage Reserve Fund, the Repair and Replacement Reserve Fund, the Surety Bond Interest Fund, the Subordinate Debt Service Fund or the Rate Stabilization Fund, (iii) payments for Existing Debt Service or City Obligations or (iv) expenditures which the City makes an election to capitalize. See “DEFINED TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” included as Appendix B to this Official Statement.

The City may incur “Parity Indebtedness” equally and ratably secured by Net Revenues with the Bonds on terms and conditions similar to those required for the issuance of Additional Bonds under the Indenture. Parity Debt Service is not secured by the Debt Service Reserve Fund. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Outstanding Bonds Issued under the Indenture; Additional Bonds and Parity Indebtedness.” The City may also issue “Subordinate Debt” secured by a pledge of Net Revenues that is expressly made subordinate to the pledge of Net Revenues securing Bonds or Parity Indebtedness or which is unsecured. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Subordinate Debt.”

Neither the faith and credit of the Commonwealth of Virginia nor the faith and credit of any county, city, town or other political subdivision of the Commonwealth of Virginia, including the City, is pledged to the payment of the principal of, premium, if any, or interest on the 2005A Bonds.

Revenue Covenant (Security for all Bonds issued under the Indenture)

The City has covenanted in the Indenture that it will establish, fix, charge and collect rates, fees and other charges for the use of and for the services furnished by the Facilities, and will, from time to time and as often as appears necessary, revise such rates, fees and other charges, so that in each Fiscal Year Net Revenues are not less than the greater of (i) the sum of 1.25 times Senior Debt Service and 1.0 times Subordinated Debt Service for the Fiscal Year and (ii) 1.0 times the funding requirements for transfers from the Revenue Fund to the Bond Fund, the Parity Debt Service Fund, the Debt Service Reserve Fund, the MacArthur Center Garage Reserve Fund, the Repair and Replacement Reserve Fund, the Surety Bond Interest Fund and the Subordinate Debt Service Fund (the “Revenue Covenant”). See “DEFINED TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” included as Appendix B to this Official Statement.

Debt Service Reserve Fund (Security for the 2005A Bonds)

The 2005A Bonds will be additionally secured by the surety bond currently on deposit in the 1997 Series Reserve Account as described in the following paragraph. Except as discussed below, any Series Reserve Account that may be established with respect to any other Bonds or Parity Indebtedness will not secure otherwise be available for payment of the 2005A Bonds.

With respect to the 2005A Bonds, the surety bond currently on deposit in the 1997 Series Reserve Account which was issued by MBIA Insurance Corporation to secure the 1997 Bonds (the “1997 Surety Bond”) shall secure the City’s Parking System Revenue and Refunding Bonds, Series 2004B allocable to the refunding of the 1997 Bonds (the “2004B Refunding Bonds”) and the 2005A Bonds. The 1997 Surety Bond was originally issued in the face amount of the Series Reserve Requirement for the 1997 Bonds (\$3,831,256.26) and will expire by the earlier of February 1, 2027, or the date when the obligations secured by the 1997 Surety Bond have been paid by the City. The Series Reserve Requirement for the 1997 Bonds, as adjusted based on the refunding for savings of the 1997 Bonds by the 2005A Bonds and the 2004B Refunding Bonds, applies to the 2004B Refunding Bonds and the 2005A Bonds. The 2005A Bonds have been

structured to produce uniform debt service savings to the City on a fiscal year basis and to be amortized by no later than the final stated maturity date of the Refunded 1997 Bonds (hereinafter defined). See “DEFINED TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” included as Appendix B to this Official Statement and “PARKING SYSTEM DEBT SERVICE REQUIREMENTS.”

Sale or Disposition

The Indenture provides that the City may, under certain circumstances, sell or otherwise dispose of any property constituting a part of the Parking System. In most instances, in order to dispose of such property the City must first file with the City Clerk a certificate by the City Manager stating that (i) the City is not in default under the Indenture and (ii) the Net Revenues for the most recent complete Fiscal Year, after giving effect to such disposition and any replacement and after adjustment to reflect the Revenues which would have been received if the rate schedule in effect on the date of such certificate had been in effect throughout such Fiscal Year, would have been sufficient to satisfy the Revenue Covenant or, if the City was not in compliance with the Revenue Covenant for the most recent complete Fiscal Year, that the degree of noncompliance would have been reduced.

Outstanding Bonds Issued under the Indenture; Additional Bonds and Parity Indebtedness

The City has previously issued Bonds under the Indenture of which \$73,855,000 in principal amount will be outstanding after the issuance of the 2005A Bonds and application of the proceeds thereof. See “PARKING SYSTEM DEBT SERVICE REQUIREMENTS.”

The City may issue Additional Bonds under the Indenture to pay the cost of acquiring, renovating, equipping or constructing improvements, extensions, additions or replacements to the Facilities so long as the City delivers to the Trustee:

(1) Written certificates from (i) the Director of Facility and Enterprise Management setting forth his estimate of the cost of the acquisition, renovation, equipping or construction (including all financing, reserves and related costs) and the date on which such acquisition, renovation, equipping or construction is expected to be completed and (ii) the Director of Finance setting forth such Director’s opinion that the proceeds of the Additional Bonds, together with any other money available or anticipated to be available for such purpose, will be sufficient to pay the cost of the acquisition, renovation, equipping or construction; and

(2) Either (i) a written certificate of the Director of Finance which states that the proceeds of the proposed additional Series of Bonds are necessary to finance the completion of a Project or any portion thereof for which Bonds have previously been issued or (ii) a written certificate of the Director of Finance, a Consulting Engineer or an independent certified public accountant which states that during any twelve consecutive months of the eighteen months preceding the issuance of the proposed Additional Bonds the City would have been in compliance with the Revenue Covenant, taking into account the maximum Bond Debt Service due on the proposed additional Bonds in the current or any future Fiscal Year and those rates, fees and other charges which are in effect at the time of the delivery of the proposed additional

Bonds or (iii) a written statement of the Director of Finance or a Consulting Engineer that projects Operating Expenses, Revenues and Net Revenues for two full Fiscal Years following the anticipated completion of the acquisition, renovation, equipping or construction, and which demonstrates that, on the basis of such projection, the City can comply with the Revenue Covenant, taking into account those rates, fees and other charges which are in effect at the time of the delivery of the proposed additional Bonds and future increases in such rates, fees and other charges as may be required to continue to comply with the Revenue Covenant. In connection with any Net Revenue adjustment permitted by this subparagraph, only increases in rates, fees and charges for services of or the use of the Facilities that have been approved by the City Council of the City at the time of the certification may be taken into account.

The City may issue Additional Bonds under the Indenture to refund Bonds or Parity Indebtedness so long as:

(1) Evidence satisfactory to the Trustee that the City has made provision as required by the Indenture for the payment or redemption of all Bonds or Parity Indebtedness to be refunded is delivered to the Trustee;

(2) The Trustee or a firm of certified independent public accountants determines in writing that the proceeds (excluding accrued interest) of the Refunding Bonds, together with any other money to be deposited for such purpose with the Trustee, or in escrow for the benefit of the Trustee, upon the issuance of the Refunding Bonds and the investment income to be earned on funds held by, or in escrow for the benefit of, the Trustee for the payment or redemption of Bonds or Parity Indebtedness, will be sufficient without reinvestment to pay, whether upon redemption or at maturity, the principal of and premium, if any, and interest on the Bonds or Parity Indebtedness to be refunded and the estimated expenses incident to the refunding; and

(3) Either (i) a written determination by the Trustee or a firm of certified independent public accountants that after the issuance of the Refunding Bonds and the provision for payment or redemption of all Bonds or Parity Indebtedness to be refunded, Senior Debt Service for each Fiscal Year in which there will be Outstanding Bonds of any Series not to be refunded will not be more than Senior Debt Service for the Fiscal Year would have been on all Outstanding Bonds and Parity Indebtedness immediately before the issuance of the Refunding Bonds, including the Bonds and Parity Indebtedness to be refunded or (ii) the Trustee receives the written certification required by subparagraph (2) of the next preceding paragraph, except for the projections required by clause (iii) thereof will be for the two full Fiscal Years following the date of issuance of the Refunding Bonds.

The City may issue Additional Bonds under the Indenture to refund obligations of the City issued with respect to the Facilities other than Bonds or Parity Indebtedness so long as the City delivers to the Trustee:

(1) Evidence satisfactory to the Trustee that the City has made provisions for the payment or redemption of the other obligations of the City to be refunded; and

(2) The written certification required by subparagraph (2) of the paragraph preceding the next preceding paragraph, except that the projections required by clause (iii) thereof will be for the two full Fiscal Years following the date of issuance of the Refunding Bonds.

The City may incur or refinance Parity Indebtedness provided (i) the documents providing for the Parity Indebtedness specify the amounts and due dates of the Parity Debt Service of the Parity Indebtedness and the principal and interest components of the Parity Debt Service and (ii) the requirements for the issuance of Additional Bonds under the Indenture, as appropriate, have been met as if such Parity Indebtedness were Additional Bonds. Parity Indebtedness may include Bond Anticipation Notes, Hedge Agreements or obligations with respect to Credit Facilities. See “DEFINED TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” included as Appendix B to this Official Statement.

Any such Additional Bonds and Parity Indebtedness will be subject to the Code, hereinafter defined, and the regulations and rulings issued thereunder in effect as of the date of issuance of such indebtedness and there can be no assurance that Additional Bonds or Parity Indebtedness will constitute tax-exempt obligations bearing interest at tax-exempt rates.

Subordinate Debt

Nothing in the Indenture prohibits or prevents the City from authorizing and issuing Subordinate Debt for any lawful purpose payable from Net Revenues subject and subordinate to the payment of any Bonds and Parity Indebtedness and to the deposits required to be made from Net Revenues to the Operating Fund, the Bond Fund, the Parity Debt Service Fund, the Debt Service Reserve Fund, the MacArthur Center Garage Reserve Fund, the Repair and Replacement Reserve Fund, the Surety Bond Interest Fund or any other fund or account established to secure any Bonds or Parity Indebtedness, or from securing any Subordinate Debt and its payment by a lien and pledge of Net Revenues junior and inferior to the lien on and pledge of Net Revenues for the payment and security of Bonds and Parity Indebtedness; provided, however, that such Subordinate Debt may not be accelerated or otherwise declared immediately due and payable upon the occurrence of a default thereunder.

Subordinate Debt in the aggregate principal amount of \$1,909,000 was issued by the City in July 1, 2003, to finance Parking System capital improvements. As of June 30, 2005, \$1,529,000 of such Subordinated Debt is expected to remain outstanding.

Other Debt

In addition to the Bonds previously issued under the Indenture, the City has issued general obligation bonds from time to time to pay for improvements to the Parking System. As of June 30, 2005, \$7,839,362 of general obligation bonds attributable to the Parking System are expected to remain outstanding. The City anticipates that transfers from the General Reserve Fund to the City’s General Fund described below will be made to pay the debt service on such general obligation bonds. The final payment on such general obligation bonds is due in Fiscal Year 2015. The City expects that future capital costs for the Parking System which are financed

with debt will be paid from proceeds of Bonds issued pursuant to the Indenture or Parity Indebtedness.

Flow of Funds

The Indenture provides that the City will collect and deposit in the Revenue Fund as received all Revenues derived from the ownership or operation of the Facilities and Hedge Receipts, except as otherwise provided for in the Indenture for investment income on certain funds and amounts created by the Indenture. Not later than the fifth Business Day before the end of each month, the City will make transfers from the Revenue Fund in the following order of priority:

Operating Fund. An amount such that the balance on deposit in the Operating Fund will be equal to not less than one-sixth of the Operating Expenses budgeted to be paid from the Operating Fund in the then current Fiscal Year as set forth in the Annual Budget.

Bond Fund. The amount necessary to make the following deposits:

(a) *Interest Account.* To each subaccount in the Interest Account, an approximately equal amount each month during each Interest Period for the respective Series of Bonds such that (after taking into consideration with respect to each such Series of Bonds the amount then on deposit in such subaccount, any amount to be transferred from the respective subaccount of the Capitalized Interest Account to such subaccount pursuant to the terms of any Supplemental Indenture and any amounts to be drawn or paid under any Credit Facility for deposit to such subaccount), on the fifth Business Day immediately preceding the next Interest Payment Date for the Series of Bonds, there will be on deposit in such subaccount an amount equal to the interest on the Outstanding Bonds of the Series to become due on such Interest Payment Date; provided, however, if on the last Business Day of any month, the required deposit to any subaccount in the Interest Account for that month has not been made with respect to the respective Series of Bonds, the requirement will be cumulative and will be added to the deposit required in each succeeding month until the deposit is made.

(b) *Principal Account.* To each subaccount in the Principal Account, an approximately equal amount each month during the Principal Period for the respective Series of Bonds such that (after taking into consideration with respect to such Series of Bonds the amount then on deposit in such subaccount and any amounts to be drawn or paid under any Credit Facility for deposit to such subaccount), on the fifth Business Day immediately preceding the next Principal Payment Date for the Series of Bonds, there will be on deposit in such subaccount an amount equal to the principal and Accreted Value of the Outstanding Bonds of the Series maturing or required to be redeemed on such Principal Payment Date; provided, however, if on the last Business Day of any month, the required deposit to such subaccount is not made with respect to the respective Series of Bonds, the requirement will be cumulative and will be added to the deposit required in each succeeding month until the deposit is made.

Parity Debt Service Fund. An amount with respect to any Parity Indebtedness such that (after taking into consideration the amount then on deposit in the Fund and any amounts to be

drawn or paid under any Credit Facility for deposit to the Fund) if the same amount is transferred to the Fund each month preceding the next ensuing Interest Payment Date or Principal Payment Date for the Parity Indebtedness, there will be on deposit in the Fund an amount equal to the payment due on the Parity Indebtedness on such payment date.

Debt Service Reserve Fund. If the amount in any Series Reserve Account in the Debt Service Reserve Fund is less than its Series Reserve Requirement, any amount of money remaining in the Revenue Fund, or all of the money remaining if less than the amount necessary, shall be deposited in such Series Reserve Account in the Debt Service Reserve Fund until there is on deposit in each Series Reserve Account an amount equal to its Series Reserve Requirement. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2005A BONDS - Debt Service Reserve Fund.”

MacArthur Center Garage Reserve Fund. For so long as such a deposit may be required pursuant to the Parking Agreement (hereinafter defined), and if the amount in the MacArthur Center Garage Reserve Fund required by the Parking Agreement is less than the MacArthur Center Garage Reserve Requirement, which totals \$750,000, to the MacArthur Center Garage Reserve Fund, one-twelfth of the amount if any, by which the Revenues derived from the operation of the MacArthur Center Garages for the then current Fiscal Year are projected to exceed the Operating Expenses and Debt Service Requirements on all Bonds, Parity Indebtedness and Subordinate Debt attributable to the MacArthur Center Garages for such Fiscal Year as determined by an Authorized City Representative in accordance with the Annual Budget and the Parking Agreement. Balances in the MacArthur Center Garage Reserve Fund may be used solely to pay for major repairs, replacements or maintenance items with respect to the MacArthur Center Garages. **Balances in the MacArthur Center Garage Reserve Fund are not pledged to secure Bonds or Parity Indebtedness.**

Repair and Replacement Reserve Fund. The amounts necessary to bring the balance in the Repair and Replacement Reserve Fund to the Replacement Reserve Requirement in not more than (i) thirty-six (36) approximately equal monthly installments and (ii) sixty (60) approximately equal monthly installments in case the Replacement Reserve Requirement is increased or moneys are withdrawn from the Fund, and such other amounts as may be determined by the City. As of June 30, 2004, the “Replacement Reserve Requirement” was \$305,000 and was fully funded. Balances in the Repair and Replacement Reserve Fund may be used to pay for major repairs, additions and other capital improvements to the Facilities and to make deposits to the Revenue Fund, Operating Fund, Bond Fund, Parity Debt Service Fund or Debt Service Reserve Fund. **Balances in the Repair and Replacement Reserve Fund are not pledged to secure Bonds or Parity Indebtedness.**

Surety Bond Interest Fund. The amounts necessary to pay interest on the amount of any drawing on a letter of credit, bond insurance policy or surety bond deposited with the Trustee to satisfy all or part of a Series Reserve Requirement established for a Series Reserve Account. **Balances in the Surety Bond Interest Fund are not pledged to secure Bonds or Parity Indebtedness.** See “SECURITY AND SOURCES OF PAYMENT FOR THE 2005A BONDS - Debt Service Reserve Fund.”

Subordinate Debt Service Fund. Such amount with respect to any Subordinate Debt as may be determined by the City to be necessary to provide for the payment when due of the principal of and interest on the Subordinate Debt.

Rate Stabilization Fund. The amounts necessary to bring the balance in the Rate Stabilization Fund to the Rate Stabilization Requirement in not more than twenty-four equal monthly installments. The “Rate Stabilization Requirement” is \$0. The City may adjust the Rate Stabilization Requirement as appropriate. **Balances in the Rate Stabilization Fund are not pledged to secure Bonds or Parity Indebtedness and may be transferred to the Revenue Fund and will constitute Revenues. There are currently no amounts on deposit in the Rate Stabilization Fund.**

General Reserve Fund. Any balance remaining in the Revenue Fund, after making the above deposits, will be deposited in the General Reserve Fund. Balances in the General Reserve Fund are not pledged to secure Bonds or Parity Indebtedness and may be used by the City for any lawful purpose. The City agrees to use amounts in the General Reserve Fund to cure any deficiency in the Operating Fund, the Bond Fund, the Parity Debt Service Fund or the Debt Service Reserve Fund. The City anticipates transferring from the General Reserve Fund to the City’s General Fund an amount equal to the sum of (i) debt service on outstanding general obligation bonds of the City issued to pay costs of the Parking System and (ii) repayment of other obligations owed to the City. These transfers to the City’s General Fund are not required by the Indenture.

In the event there are insufficient funds in the Revenue Fund to make the transfers required by the Bond Fund and the Parity Debt Service Fund, the City will allocate the available funds between the Bond Fund and the Parity Debt Service Fund in the proportion that the amount required to be deposited to each Fund bears to the total amount required to be deposited to both Funds.

See “DEFINED TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” included as Appendix B to this Official Statement for a further description of the flow of funds.

No Acceleration

Under the Indenture, neither the Trustee nor the Bondholders may declare any Bonds previously issued under the Indenture or the 2005A Bonds due and payable prior to maturity upon an Event of Default.

Limits on Enforceability

The enforceability of the Indenture and the 2005A Bonds is subject to bankruptcy, insolvency, moratorium, reorganization and other state and federal laws affecting the enforcement of creditors’ rights and to the extent that certain remedies under such agreements or instruments require, or may require, enforcement by a court, such principles of equity as the court having jurisdiction may impose. See “DEFINED TERMS AND SUMMARY OF

CERTAIN PROVISIONS OF THE INDENTURE - Events of Default, Remedies; Rights of Bondholders” included in Appendix B to this Official Statement.

Chapter 9 of the United States Bankruptcy Code (the “Bankruptcy Code”) permits a municipality such as the City, if insolvent or otherwise unable to pay its debts as they become due, to file a voluntary petition for the adjustment of debts provided that such municipality is “specifically authorized, in its capacity as a municipality or by name, to be a debtor” Bankruptcy Code, § 109(c)(2). Current Virginia statutes do not expressly authorize the City or municipalities generally to file under Chapter 9. Chapter 9 does not authorize the filing of involuntary petitions against municipalities such as the City.

Bankruptcy proceedings by the City could have adverse effects on Owners of the 2005A Bonds, including (i) delay in the enforcement of their remedies, (ii) subordination of their claims to claims of those supplying goods and services to the City after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings, and (iii) imposition without their consent of a plan of reorganization reducing or delaying payment of the 2005A Bonds. The Bankruptcy Code contains provisions intended to ensure that, in any plan of reorganization not accepted by at least a majority of any class of creditors such as the Owners of the 2005A Bonds, such class of creditors will have the benefit of their original claim or its “indubitable equivalent”, although such “equivalent” may not provide for payment of the 2005A Bonds in full. The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretation.

MUNICIPAL BOND INSURANCE

The MBIA Insurance Corporation Insurance Policy

The following information has been furnished by MBIA Insurance Corporation (“MBIA”) for use in this Official Statement. Reference is made to Appendix F for a specimen of MBIA’s policy (the “Policy”).

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Policy and MBIA set forth under the heading “MUNICIPAL BOND INSURANCE.” Additionally, MBIA makes no representation regarding the 2005A Bonds or the advisability of investing in the 2005A Bonds.

The MBIA Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the City to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the 2005A Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the MBIA Policy

shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless MBIA elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the 2005A Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law (a “Preference”).

MBIA’s Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any 2005A Bonds. MBIA’s Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of 2005A Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA’s Policy also does not insure against nonpayment of principal of or interest on the 2005A Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the 2005A Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of a 2005A Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such 2005A Bonds or presentment of such other proof of ownership of the 2005A Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the 2005A Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the 2005A Bonds in any legal proceeding related to payment of insured amounts on the 2005A Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the insured amounts due on such 2005A Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

MBIA Insurance Corporation

MBIA Insurance Corporation (“MBIA”) is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the “Company”). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain.

The principal executive offices of MBIA are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is (914) 273-4545.

Regulation

As a financial guaranty insurance company licensed to do business in the State of New York, MBIA is subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for MBIA, limits the classes and concentrations of investments that are made by MBIA and requires the approval of policy rates and forms that are employed by MBIA. State law also regulates the amount of both the aggregate and individual risks that may be insured by MBIA, the payment of dividends by MBIA, changes in control with respect to MBIA and transactions among MBIA and its affiliates.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the 2005A Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the 2005A Bonds. MBIA does not guaranty the market price of the 2005A Bonds nor does it guaranty that the ratings on the 2005A Bonds will not be revised or withdrawn.

MBIA Financial Information

As of December 31, 2004, MBIA had admitted assets of \$10.4 billion (unaudited), total liabilities of \$7.0 billion (unaudited), and total capital and surplus of \$3.4 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 2005 MBIA had admitted assets of \$10.6 billion (unaudited), total liabilities of \$7.0 billion (unaudited), and total capital and surplus of \$3.6 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2004 and December 31, 2003 and for each of the three years in the period ended December 31, 2004, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of the Company for the year ended December 31, 2004 and the consolidated financial statements of MBIA and its subsidiaries as of March 31, 2005 and for the three month periods ended March 31, 2005 and March 31, 2004 included in the Quarterly Report on Form 10-Q of the Company for the period ended March 31, 2005, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Copies of the statutory financial statements filed by MBIA with the State of New York Insurance Department are available over the Internet at the Company's web site at <http://www.mbia.com> and at no cost, upon request to MBIA at its principal executive offices.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated by reference into this Official Statement:

- (1) The Company's Annual Report on Form 10-K for the year ended December 31, 2004; and
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005.

Any documents, including any financial statements of MBIA and its subsidiaries that are included therein or attached as exhibits thereto, filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the Company's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and prior to the termination of the offering of the 2005A Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the Company's SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and (2) the Company's Quarterly Reports on Form 10-Q for the quarter ended March 31, 2005) are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA at its principal executive offices.

PLAN OF FINANCE

The 2005A Bonds are being issued to (i) to refund all or a portion of the refundable amounts of the 2009 maturity and the 2020 through 2027 maturities, inclusive, of the 1997 Bonds (the “Refunded 1997 Bonds”), and (ii) to pay the costs of issuance and other financing charges related to the 2005A Bonds.

Upon delivery of the 2005A Bonds, a portion of the proceeds will be deposited in an irrevocable Escrow Fund established under the Escrow Deposit Agreement, dated as of June 1, 2005 (the “Escrow Agreement”), by and among the City and U. S. Bank Trust National Association, as Trustee and Escrow Agent for the Refunded 1997 Bonds thereunder. Moneys in the Escrow Fund will be invested in Defeasance Obligations (as such term is defined in the Indenture) in such amounts, of such maturities and bearing interest at such rates as required to pay at the February 1, 2007, redemption date the redemption price equal to 102% of the principal amount of the Refunded 1997 Bonds and interest due on the Refunded 1997 Bonds to and including their redemption date.

Refunded 1997 Bonds			
Maturity or Sinking Fund Payment Date	Principal Amount	Maturity or Sinking Fund Payment Date	Principal Amount
<u>(February 1)</u>	<u>Refunded</u>	<u>(February 1)</u>	<u>Refunded</u>
2009	\$ 1,400,000	2024	\$ 3,080,000
2020	2,480,000	2025	3,250,000
2021	2,620,000	2026	3,435,000
2022	2,765,000	2027	3,625,000
2023	2,920,000		

Verification of Mathematical Computations

The accuracy of (a) the mathematical computations of the adequacy of the maturing principal of and interest on the Escrow Fund to pay, when due, the principal of and interest on the Refunded Bonds at their maturities and (b) the mathematical computations supporting the conclusion that the 2005A Bonds are not “arbitrage bonds” under the Internal Revenue Code and the regulations promulgated thereunder, were verified by Chris D. Berens, CPA, P.C. Such verifications were based upon information supplied by representatives of the Underwriter. Chris D. Berens, CPA, P.C. has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study to evaluate the assumptions and information on which such computations are based and has expressed no opinion on the data used, on the reasonableness of the assumptions, or the achievability of the projected outcome.

ESTIMATED SOURCES AND USES OF FUNDS¹

The sources and uses of funds for the 2005A Bonds are estimated as follows:

Sources of Funds:

Par Amount of the 2005A Bonds	\$ 26,045,000
Release from Parity Debt Service Fund	471,406
Original Issue Premium	<u>1,684,451</u>

Total Sources of Funds	<u>\$ 28,200,857</u>
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Uses of Funds:

Escrow Deposit	\$ 27,404,637
Underwriters Discount	146,210
Costs of Issuance ²	650,009

Total Uses of Funds	<u>\$ 28,200,857</u>
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¹ Totals may not add due to rounding; amounts are rounded to the nearest dollar.

² Costs of issuance includes, among other things, bond insurance premium.

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PARKING SYSTEM DEBT SERVICE REQUIREMENTS⁽¹⁾

Fiscal Year	Outstanding Debt Service ⁽²⁾			Series 2005 Debt Service			Aggregate Outstanding Debt Service		
	Principal ⁽³⁾	Interest ⁽⁴⁾	Debt Service	Principal	Interest	Debt Service	Principal	Interest	Debt Service
6/30/06	1,685,000	3,575,303	5,260,303	75,000	805,345	880,345	1,760,000	4,380,647	6,140,647
6/30/07	1,785,000	3,500,179	5,285,179	40,000	1,279,850	1,319,850	1,825,000	4,780,029	6,605,029
6/30/08	1,895,000	3,419,623	5,314,623	40,000	1,278,250	1,318,250	1,935,000	4,697,873	6,632,873
6/30/09	600,000	3,355,976	3,955,976	1,440,000	1,276,650	2,716,650	2,040,000	4,632,626	6,672,626
6/30/10	2,340,000	3,334,915	5,674,915	30,000	1,219,050	1,249,050	2,370,000	4,553,965	6,923,965
6/30/11	2,415,000	3,256,057	5,671,057	30,000	1,217,850	1,247,850	2,445,000	4,473,907	6,918,907
6/30/12	2,535,000	3,137,405	5,672,405	30,000	1,216,650	1,246,650	2,565,000	4,354,055	6,919,055
6/30/13	2,660,000	3,012,280	5,672,280	30,000	1,215,450	1,245,450	2,690,000	4,227,730	6,917,730
6/30/14	2,800,000	2,880,547	5,680,547	35,000	1,214,250	1,249,250	2,835,000	4,094,797	6,929,797
6/30/15	2,935,000	2,741,275	5,676,275	35,000	1,212,850	1,247,850	2,970,000	3,954,125	6,924,125
6/30/16	3,050,000	2,617,170	5,667,170	35,000	1,211,450	1,246,450	3,085,000	3,828,620	6,913,620
6/30/17	3,200,000	2,475,352	5,675,352	40,000	1,210,050	1,250,050	3,240,000	3,685,402	6,925,402
6/30/18	3,345,000	2,326,536	5,671,536	40,000	1,208,450	1,248,450	3,385,000	3,534,986	6,919,986
6/30/19	3,505,000	2,170,948	5,675,948	40,000	1,206,850	1,246,850	3,545,000	3,377,798	6,922,798
6/30/20	1,235,000	2,021,186	3,256,186	2,520,000	1,205,250	3,725,250	3,755,000	3,226,436	6,981,436
6/30/21	1,295,000	1,961,727	3,256,727	2,650,000	1,079,250	3,729,250	3,945,000	3,040,977	6,985,977
6/30/22	1,360,000	1,899,281	3,259,281	2,785,000	946,750	3,731,750	4,145,000	2,846,031	6,991,031
6/30/23	1,425,000	1,833,291	3,258,291	2,925,000	807,500	3,732,500	4,350,000	2,640,791	6,990,791
6/30/24	1,490,000	1,763,652	3,253,652	3,065,000	661,250	3,726,250	4,555,000	2,424,902	6,979,902
6/30/25	1,560,000	1,690,739	3,250,739	3,220,000	508,000	3,728,000	4,780,000	2,198,739	6,978,739
6/30/26	1,640,000	1,613,330	3,253,330	3,385,000	347,000	3,732,000	5,025,000	1,960,330	6,985,330
6/30/27	1,720,000	1,531,949	3,251,949	3,555,000	177,750	3,732,750	5,275,000	1,709,699	6,984,699
6/30/28	5,380,000	1,446,596	6,826,596				5,380,000	1,446,596	6,826,596
6/30/29	5,670,000	1,160,307	6,830,307				5,670,000	1,160,307	6,830,307
6/30/30	5,970,000	858,638	6,828,638				5,970,000	858,638	6,828,638
6/30/31	6,300,000	535,207	6,835,207				6,300,000	535,207	6,835,207
6/30/32	945,000	193,881	1,138,881				945,000	193,881	1,138,881
6/30/33	990,000	147,335	1,137,335				990,000	147,335	1,137,335
6/30/34	1,035,000	98,568	1,133,568				1,035,000	98,568	1,133,568
6/30/35	1,090,000	47,491	1,137,491				1,090,000	47,491	1,137,491
Totals	73,855,000	60,606,743	134,461,743	26,045,000	22,505,745	48,550,745	99,900,000	83,112,488	183,012,488

(1) Figures may not sum due to rounding.

(2) Requirements shown are as of June 30, 2005. Does not include the Bonds to be refunded with the 2005A Bonds. Does not include debt service requirements with respect to Subordinate Debt or the 2005A Bonds.

(3) Principal amounts for the 2004A Bonds represent estimated annual sinking fund redemptions under a Reimbursement Agreement.

(4) Interest payments on the Series 2000A Bonds are based upon a floating-to-fixed rate swap agreement utilizing a fixed interest rate of 4.70%. Interest payments on the Series 2004A Bonds are based upon a variable interest rate of 5% for the life of the bonds, plus Letter of Credit and Remarketing Expenses.

THE PARKING SYSTEM

Facilities

The Parking System presently consists of 28 facilities plus 669 on-street metered parking spaces which together provide 19,059 hourly, daily and monthly parking spaces. Such facilities are located within or on the fringe of the City's downtown area. The downtown area contains a wide variety of business, cultural, residential, retail and entertainment activities. Fourteen of the City's parking facilities are surface parking lots providing a total of 5,860 spaces. Four of these lots, which provide a total of 1,046 spaces, are owned by the Norfolk Redevelopment and Housing Authority ("NRHA") and operated by the City pursuant to a Parking Operating Agreement between the City and the NRHA (the "NRHA Parking Agreement"), which provides for receipt by the City of all parking facility revenue. Shuttle vehicles service the three surface parking lots located at the fringe of the City's downtown area. The remaining fourteen facilities are multi-level garages owned and operated by the City and provide a total of 12,530 spaces. Four of the garages were built on land owned by the NRHA and are operated as public parking by the City pursuant to the NRHA Parking Agreement. All the Parking System's 669 on-street parking spaces are metered.

On January 12, 2004, the Parking Facilities Fund paid \$5 million for the acquisition of the Downtown Plaza Lot. The parcel has several tenants, some of whom will continue to lease their property from the Parking Facilities Fund on a month-to-month basis. The Division of Parking intends to operate the remaining land as a paid parking lot, once demolition is complete. It is estimated that 500 spaces can be created on this lot. Necessary improvements, including demolition, were estimated to cost \$1.25 million. These improvements, along with the acquisition cost, were financed with a portion of the proceeds of the City's Parking System Revenue and Refunding Bonds, Series 2004B.

Several building and renovation projects are occurring in the City's downtown area, including the \$51 million expansion of the national headquarters of Trader Publishing Company ("Trader Publishing"), which is expected to create an estimated 1,100 new jobs. Trader Publishing is also currently constructing a 21-story office tower located on the site of the 62-space Federal Lot. The Federal Lot was closed on March 1, 2005.

The 61-space Tazewell Lot was closed on April 11, 2005. This site is being developed by a private developer into a mixed use development called the Harbor Heights. It will include loft-style condos, apartments and a first floor retail grocery. Additionally, this project will house the regional administrative headquarters of Tidewater Community College.

Lot 56 currently has a development proposal under consideration by the City. This 176-space lot is located on the corner of Brambleton Avenue and Duke Street.

To provide additional short-term parking opportunities the Division of Parking opened Lot 31, a temporary parking lot located near the corner of Granby Street and Plume Street, on March 1, 2005. This property was purchased by the City for \$3.5 million for future development. Lot 31 has 69 spaces.

Parking System management does not believe that the disposition of the facilities described above will have a material adverse impact on Net Revenues because some of these facilities are not currently operating at capacity, all of the monthly users thereof can be immediately relocated to other Parking System facilities with similar monthly rates, additional Parking System improvements will ultimately replace the lost parking spaces, and the development of such areas should increase parking demand.

There are approximately 33 privately owned parking facilities in the City's downtown area with approximately 5,150 spaces, some of which are available for use by the general public either on a daily or monthly basis.

Factors Affecting Parking Revenue and Costs

Since the Parking System is located within and on the fringe of the City's downtown area, Parking System revenue and operating costs will be influenced by certain economic factors, including those factors associated with the downtown area, the City as a whole and the Hampton Roads region. Economic factors include, but are not limited to: downtown retail, educational, cultural, recreational and general business activity, including fluctuations in building occupancy rates resulting from business relocations or failures; the continued viability of the downtown area as a central point for such activities, including its success in competing with other areas in the region which provide all or some of such activities, including, for example, outlying commercial and business centers, regional shopping malls and office and industrial parks; competition from existing and any future private parking facilities; the adequacy of transportation access to the downtown area, the City and the Hampton Roads region, both by private vehicles and mass transit services; motor fuel and other transportation costs; the success of the Hampton Roads region in maintaining or increasing federal government employment and business activities, both military and civilian; continued growth in port and tourism activities; public perception as to the adequacy of downtown parking facilities and security measures, both within parking facilities and the downtown area in general; the elasticity of parking demand and rates; the ability of Parking System management to control costs while maintaining a sound maintenance and repair program; and the avoidance of damage or destruction to parking facilities by accidents or natural disasters. See Appendix C to this Official Statement for a more complete discussion of the City's economy.

PARKING SYSTEM CAPITAL IMPROVEMENTS

Current and planned capital improvements with respect to the Parking System consist of the projects described below.

Current improvements to the Parking System include the construction of a 800 space parking garage to replace the existing Boush Street Garage as part of a mixed-use (residential/retail and parking) development and the acquisition of land in the downtown area known as Downtown Plaza and improving and operating a paved surface parking lot thereon.

The City's capital improvement budget includes the projected cost of architectural design and construction of a new multi-level parking facility in the downtown area which is anticipated to accommodate increasing parking demands of downtown business, governmental and entertainment facilities. The 2005 and 2006 budgets combined contemplate a revenue bond issue of \$22,000,000 in Fiscal Year 2006.

PARKING SYSTEM OPERATION AND MANAGEMENT

The Division of Parking (designated internally for both accounting and operational purposes as the Parking Facilities Fund) is an operating division of the City's Department of Facility and Enterprise Management. Beginning in Fiscal Year 2006, the former Department of Facility and Enterprise Management will be abolished and the Parking Facilities Fund will operate as a part of the Department of Finance and Business Services (formerly, the Finance Department). The Parking Facilities Fund was established as an enterprise fund of the City in Fiscal Year 1990 and is responsible for the day to day administration, maintenance and operation of the City's public parking facilities.

The Parking Facilities Fund is divided into 6 areas of functional responsibility: Administration, Operations, Accounting, Maintenance, Security, and Enforcement. A brief description of each follows:

<i>Administration</i>	Responsible for the overall administration of the Parking Facilities Fund, including overall operations, planning (including the establishment of goals, objectives and management initiatives) capital improvements, contract administration and public relations.
<i>Operations</i>	Responsible for the staffing and supervision of all attendant operated facilities and the collection of short-term, long-term, recreational and special event revenue.
<i>Accounting</i>	Responsible for financial operations, accounting, budgeting, revenue control and financial analysis and tracking for all phases of the Parking Facilities Fund. Specialized computerized systems are utilized to track the generation of both long-term and short-term revenue.

<i>Maintenance</i>	Responsible for the routine and emergency maintenance needs of all parking facilities and equipment. Responsible for daily upkeep of the facilities as well as assessing their condition and providing capital improvement recommendations.
<i>Security</i>	Responsible for administration of designated City police officers providing security patrol. Officers routinely patrol all facilities on a daily basis.
<i>Enforcement</i>	Responsible for monitoring and enforcing all parking regulations to ensure safe and accessible parking.

Management Personnel

The senior management of the Parking Facilities Fund includes:

Stanley A. Stein became Assistant City Manager in December 2004 and oversees the Department of Facility and Enterprise Management. Mr. Stein has continuously served the City since February, 1973 in the capacities of Business Manager, Assistant Director of the Department of Parks and Recreation, Director of the Department of Parks and Recreation and Director of the Department of Recreation, Parks and General Services. Mr. Stein has a Bachelor of Science degree from Old Dominion University, Norfolk, Virginia, with a major emphasis in Finance and a minor emphasis in Business Administration.

Rob E. Maroney began work as the Parking Director for the City of Norfolk in December 2001. Mr. Maroney has served the City of Norfolk continuously since September 1997 in the capacity of Assistant to the City Manager and Interim Budget Director. Prior to his employment with the City, Mr. Maroney worked for the City of Hampton, Virginia as a Management Analyst. Mr. Maroney has a Bachelor of Arts degree from the College of William and Mary, Williamsburg, Virginia, with a double concentration in Government and Fine Arts.

Randy S. Swink, CPA, has been the Enterprise Controller for the City since February 1985. Mr. Swink is a Certified Public Accountant, certified and licensed in the Commonwealth of Virginia. Prior to working for the City, Mr. Swink served as an independent auditor with KPMG Peat Marwick, as well as a Controller and an Assistant Controller with private firms. His public accounting experience encompasses banking, health care and profit sharing plans while his private experience was in the areas of manufacturing and retail. He holds a Bachelor of Science degree in Business Administration, with a concentration in Accounting, from the University of Richmond, Richmond, Virginia, and a Master of Science in Accounting from Old Dominion University, Norfolk, Virginia.

Management Initiatives

The Parking Facilities Fund has an established practice of reviewing its overall management and operational areas on an ongoing basis. This practice involves the

implementation, modification and/or refinement of specific initiatives in support of Parking's mission. Recently implemented initiatives include:

- (1) Revised transient, monthly and special event rates to reflect a value pricing strategy.
- (2) Rehabilitation of the City Hall North (formally East Street) and City Hall South (formally Union Street) Garages.
- (3) Acquisition of several key parcels in downtown for future parking system expansion.
- (4) Initiated and executed a comprehensive public relations, marketing and educational campaign.
- (5) Executed contractual agreement for processing and collecting of parking citations.
- (6) Comprehensive audit of the Parking Revenue Control System and Financial Reporting processes.
- (7) Revised on-street parking policies to include meter installation throughout downtown.
- (8) Comprehensive wayfinding study complete with many initial findings implemented.
- (9) Installation of marquee-style signs at garages and throughout downtown.
- (10) Renamed several garages to reflect proximity to street name and/or downtown location.
- (11) Annual maintenance and reinvestment in assets.

Collectively, these initiatives and others are designed to afford the Parking Facilities Fund useful tools to serve all Parking System users in a cost-effective manner, while maximizing the revenue to the Parking Facilities Fund.

Rate Regulation

The City Council by ordinance sets all parking rates. The power of the City to fix, charge and collect rates, fines, fees and other charges for the use of and for the services furnished by the Parking System is not subject to the regulatory jurisdiction of any federal, regional, state or local regulatory body. Subject to contractual commitments, such as the rate covenants set forth in the Indenture and the parking agreement with respect to the MacArthur Center Garages, the City Council has sole and exclusive authority over rates, fees, fines and other charges related to the use of the Parking System.

Parking Rates

In 2002, the City Council authorized the implementation of a value based, three-tiered parking rate system. Parking rates are charged to short-term, special event and long-term user groups. The following table presents short-term and special event parking rates according to each tier.

<u>Time</u>	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>
1 hour or any part thereof	\$ 0.75	\$ 0.50	\$ 0.50
2 hours or any part thereof	1.50	1.25	1.00
3 hours or any part thereof	2.50	2.25	1.50
4 hours or any part thereof	4.50	3.25	2.00
5 hours or any part thereof	6.50	4.25	2.50
6 hours or any part thereof	8.50	5.25	3.00
7 hours or any part thereof	10.50	6.25	3.50
8 hours or any part thereof	12.50	7.25	4.00
Maximum up to 24 hours	14.00	8.00	4.00
Special Event/Collect on Entry	\$ 5.00	\$ 4.00	\$ 4.00

Monthly parking rates vary according to property location and user groups. Monthly parking rates for the general public range from \$37.00 to \$95.20 for unreserved spaces and \$82.00 to \$128.80 for reserved spaces. Residential patrons and employees of a state educational institution are provided a 50% discount of posted rates. The annual amount of such discounts totals approximately \$153,604 or 0.83% of Parking System revenue.

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In the table set forth below, rates for each of the Parking Systems Garages are presented.

Facility	<u>Maximum Daily Rate</u>	<u>Monthly Unreserved</u>	<u>Monthly Reserved</u>	<u>Evening Unreserved</u>	<u>Evening Reserved</u>
Boush Street Garage	\$ 14	\$ 85	\$ 115	\$ 25	\$ 39
Bute Street Garage	4	64	94	27	32
East Street Garage	RCL ¹	43	N/A	N/A	N/A
Freemason Street Garage	8	85	115	N/A	39
Main Street Garage	14	85	115	34	39
Plume Land Garage	14	85	115	34	39
Scope Center Garage	4	52	82	N/A	N/A
Town Point Garage	14	85	115	N/A	39
Union Street Garage	8	60	90	25	30
Waterside Garage	14	85	N/A	N/A	N/A
West Plume Street Garage	14	95.20	128.80	34	39

1 Restricted Facility

MacArthur Center Rates - The rates for the MacArthur Center parking garages are set forth in a parking agreement with the City as follows:

First three hours	\$1.00 flat rate
Each additional hour until 6:00 p.m.	\$2.00 per hour
Saturday/Sunday before 6:00 p.m.	\$1.00 flat rate
All evenings after 6:00 p.m.	\$2.00 flat rate
Monthly five days a week	\$85.00 per month
Monthly seven days per week	\$101.00 per month
Monthly five day reserved	\$115.00 per month

Parking Fines

The City Council has approved the following parking fine schedule:

<u>Parking Violation</u>	<u>Fine Schedule</u>
Overtime Parking - Meter	\$ 15.00
Overtime Parking - Time Zone	30.00
Overtime Parking - Meter Feeding	25.00
No Parking	30.00
No Parking - Fire Hydrant	50.00
No Parking - Cross Walk	35.00
No Parking - Loading Zone	30.00
No Parking - Here to Comer	30.00
No Parking - Bus Stop	35.00
No Parking - Street Cleaning	35.00
Facing Wrong Way	25.00
No Parking - This Side	25.00
No Stopping Zone	35.00

Restricted City Lot	30.00
No/Expired City License	50.00
Handicapped Parking	250.00
Taxi Stand	35.00
Blocking Driveway	30.00
Overnight Parking	25.00
Parking off of Roadway	35.00
Blocking Fire Lane	100.00

Subject to the covenants set forth in the Indenture, such parking fine schedules are subject to modification by the City Council. See “DEFINED TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” included as Appendix B to this Official Statement.

Collection and Enforcement Procedures

Collections for long-term, short-term and recreational parking and fines and fees for parking violations are the responsibility of the Division of Parking. The administration of collection of fines and fees has been partially contracted to Parking Solutions, Inc. The contract which began July 1, 2003, is for five years. In addition, the Division of Parking employs 5 personnel to collect fines and fees for parking violations. Long-term parking fees are collected on a month-to-month basis with a requirement of 30 days notice to relinquish a space. Short-term and recreational fees are collected at the parking facilities by the parking attendants.

In Fiscal Year 2004, 69,441 parking tickets were issued resulting in a 89% collection rate and revenue of \$2,493,055. Any person contesting a parking citation may appear in person at the City’s Parking Customer Service Center within 30 days of the issuance of the ticket to register such person’s intent to contest the violation. Upon proper notification, the Division of Parking issues a summons for the person to appear in the City’s General District Court on an appointed date to contest the violation.

Budget Process

The Parking Facilities Fund prepares an annual budget in conformity with the City’s budgeting procedures. The budget is a financial plan which sets forth estimated revenue and expenses for the ensuing fiscal year. A proposed annual budget is sent to the City’s management for review prior to City Council approval in May. An interactive process is used during this review, involving Office of Budget and Management, Department of Finance, and Parking Facilities Fund personnel. The Parking Facilities Fund is accounted for on an accrual basis which recognizes and records expenses when goods and services are received and revenues when earned. The budget, however, is prepared on a cash basis and non-cash items such as depreciation are not included. The Parking Facilities Fund was established as a self-supporting enterprise fund with no intended subsidy from the City’s General Fund. All debt service on general obligation bonds issued to fund Parking System improvements is budgeted to be paid from the annual revenue of the Parking Facilities Fund. The approved and effective July 1, 2005 Parking Facilities Fund budget for Fiscal Year 2006 is shown below.

Parking Facilities Fund
Fiscal Year 2005 and 2006 Budgets
(Cash Basis)

	FY 2005	FY 2006	Change
Revenue			
Fines & Forfeitures	\$ 2,029,400	\$ 1,576,000	\$ (453,400)
Charges for services	18,710,700	19,303,955	593,255
Interest Income	225,000	338,850	113,850
Total Revenue	\$20,965,100	\$21,218,805	\$253,705
Expenses			
Personal services	\$ 3,889,400	\$ 3,876,456	\$ (12,944)
Materials & Supplies	1,168,500	1,384,164	215,664
General Operations	4,165,900	4,275,191	109,291
Equipment	257,900	279,890	21,990
All purpose Appropriation	2,073,100	2,106,085	32,985
Transfer to Other Funds	0	250,000	<u>250,000</u>
Debt	<u>9,410,300</u>	<u>9,047,019</u>	<u>(363,281)</u>
	\$ 20,965,100	\$21,218,805	\$ 253,705

Results of Operations

Statements of Revenue, Expenses and Changes in Fund Net Assets have been compiled from the City's Comprehensive Annual Financial Report (CAFR) for Fiscal Years 2002 through 2004 and appear below.

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Parking Facilities Fund
Statement of Revenue, Expenses and Changes in Fund Net Assets
(Fiscal Years Ended June 30)

	2004	2003	2002
	Audited	Audited	Audited
Operating revenue:			
Charges for services	\$ 21,353,727	\$ 18,574,273	\$ 18,354,513
Total operating revenue	\$ 21,353,727	\$ 18,574,273	\$ 18,354,513
Operating expenses:			
Personal services	6,673,980	5,712,879	5,564,138
Plant operations	893,250	746,446	814,616
Depreciation	3,421,764	3,376,392	2,675,996
Administrative expenses	278,683	365,246	334,820
Other	657,942	656,730	596,309
Total operating expenses	\$ 11,925,619	\$ 10,857,693	\$ 9,985,879
Operating income	9,428,108	7,716,580	8,368,634
Nonoperating revenue (expenses):			
Interest income, net of interest capitalized	260,968	305,155	73,212
Interest expense and fiscal charges	\$ (4,943,267)	\$ (4,964,544)	\$ (4,308,811)
Gain (loss) on sale or disposal of fixed assets	0	(12,191)	(3,619)
Unrealized gain on investments	(67,288)	25,391	-
Miscellaneous Revenue	-	-	-
Total nonoperating revenue (expenses)	(4,749,587)	(4,646,189)	(4,239,218)
Change in net assets	4,678,521	3,070,391	4,129,416
Total net assets - beginning	\$ 43,149,245	\$ 40,078,854	\$ 35,949,438
Total net assets ending	\$ 47,827,766	\$ 43,149,245	\$ 40,078,854

Management's Discussion of Recent Operating Results

The following discussion is based in part on operating budgets and historical operating results as shown in the preceding tables to this Official Statement.

Parking Revenue. The City recognizes the need to maintain an adequate revenue stream for the Parking System sufficient to pay operating expenses, debt service on Parking System revenue bonds to be issued from time to time and to reimburse the City's General Fund for debt service on general obligation bonds issued for Parking System operations. This required revenue would come from increased use of the Parking System and/or from increased rates. Other sources of income include: fine schedules, additional on-street meters and enforcement of parking regulations.

City Council normally sets parking rates as part of the annual budget process at intervals of several years. Approved parking rates for Fiscal Year 2005 as previously set forth in this Official Statement are sufficient to cover anticipated operating costs, debt service on outstanding

Parking System revenue bonds and transfers to the City's General Fund for existing general obligation bond debt service allocable to Parking System operations.

Operating revenue increased to \$21,353,727 in Fiscal Year 2004 from \$18,574,273 in Fiscal Year 2003. This increase resulted, in part, from management strategies initiated over the past few years. These strategies included (a) maximizing utilization of higher demanded facilities, (b) increased parking ticket enforcement and collection efforts, (c) expanding cruise ship operations, and (d) substantial revenue derived from special events.

Expenses. Historical operating expenses, exclusive of depreciation, have increased at the rate of inflation resulting primarily from normal growth in salaries, maintenance and repair and shuttle services.

Annual Budget. The annual budget reflects debt service on both parking revenue bonds and transfers to the City for general obligation bond debt service allocable to the Parking System. Operations and fixed charges have increased in the Fiscal Year 2005 annual budget to \$10,262,447 as a result of anticipated infrastructure improvements.

The Parking Facilities Fund has moved from an operating deficit of \$2.1 million (subsidy from General Fund required) in Fiscal Year 1990 to a change in net assets of \$4,678,521 and total net assets of \$47,827,766 in Fiscal Year 2004. The City believes that the management initiatives earlier described herein, together with the revenue strategies described above, have contributed to such results.

Historical and Projected Parking Facilities General Obligation Bond Debt Service Coverage

To date, transfers have been made from the Parking Facilities Fund to the City's General Fund to pay a portion of the debt service on general obligation bonds issued by the City to pay for Parking System improvements. The City intends to pay for all future Parking System capital costs from revenues of the Parking System and proceeds of Parking System revenue bonds. The debt service coverage of Parking Facilities Fund operations for the past four fiscal years and projected coverage for the six fiscal years are summarized below. There can be no assurance that actual coverage will meet or exceed projected coverage.

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**Parking Facilities Fund
Historical Bond Debt Service Coverage**

(Fiscal Years Ended June 30)

	2004	2003	2002	2001
Total Operating Revenue	\$ 21,353,727	\$ 18,574,273	\$ 18,354,513	\$16,444,810
Total Operating Expense	(11,925,619)	(10,857,693)	(9,985,879)	(8,846,258)
Net Operating Income	\$ 9,428,108	\$ 7,716,580	\$ 8,368,634	\$ 7,598,552
Additions (Deductions)	3,682,732	3,681,547	2,749,208	3,941,281
Income Available for Debt Service	\$ 13,110,840	\$ 11,398,127	\$ 11,117,842	\$ 11,539,833
Total Revenue Bond Debt Service	(6,144,223)	(5,404,816)	(5,683,455)	(4,964,744)
Net Income after Revenue Bond Debt Service	\$ 6,966,617	\$ 5,993,311	\$ 5,434,387	\$ 6,575,089
Revenue Bond Debt Service Coverage Ratio	2.13	2.11	1.96	2.32
Subordinate Revenue Bond Debt Service	(235,588)			
General obligation Debt Service	(2,713,759)	(3,762,380)	(3,575,874)	(3,765,961)
General Obligation Bond Debt Service Coverage	2.48	1.59	1.52	1.75
Combined Revenue, Subordinate and General Obligation Debt Coverage	1.44	1.24	1.20	1.32
Income After all Fund transfers	4,017,270	2,230,931	1,858,513	2,809,128
Additional payments to City Cash Defeasance of Snyder Lot	(1,900,000)	(600,000)	(1,000,000) (2,705,000)	(509,693)
Annual Cash Flow after Defeasance and Additional payments to City	\$ 2,117,270	\$ 1,630,931	\$ (1,846,487)	\$ 2,299,435

Source: Fiscal Year 2001 to 2004 Comprehensive Annual Financial Reports.

**Parking Facilities Fund
Projected Bond Debt Service Coverage**

	<u>FY-2005⁽¹⁾</u>	<u>FY-2006⁽³⁾</u>	<u>FY-2007</u>	<u>FY-2008</u>	<u>FY-2009</u>	<u>FY-2010</u>
Total Operating Revenue	\$ 21,648,000	\$ 21,685,500	\$ 22,718,189	\$ 23,541,981	\$ 23,816,064	\$ 24,047,664
Total Operating Expense ⁽¹⁾	(10,002,500)	(10,688,800)	(11,890,850)	(11,721,616)	(12,062,519)	(12,413,660)
Net Operating Income	11,645,500	10,996,700	10,827,339	11,820,366	11,753,546	11,634,004
Senior Revenue Bond Debt Service ⁽²⁾⁽³⁾	(6,548,764)	(6,515,088)	(8,175,543)	(8,176,832)	(8,419,052)	(8,460,615)
Senior Revenue Bond Coverage Ratio ⁽²⁾	1.78	1.69	1.32	1.45	1.40	1.38
Existing Subordinated Revenue Bond Debt Service	(265,200)	(256,700)	(248,100)	(239,600)	(231,000)	(222,500)
Existing General Obligation Bond Debt Service	(2,629,100)	(1,793,300)	(1,580,300)	(1,505,900)	(1,371,600)	(1,279,300)
Total Revenue Bond and General Obligation Bond Debt Service ⁽³⁾	(9,443,064)	(8,565,088)	(10,003,943)	(9,922,332)	(10,021,652)	(9,962,415)
Combined Debt Coverage Ratio	1.23	1.28	1.08	1.19	1.17	1.17

Source: City of Norfolk, Virginia

(1) Does not include depreciation (FY-2005 - FY-2010).

(2) Includes debt service on the 2005A Bonds; does not include debt service associated with the Refunded Bonds.

(3) Assumes the City issues \$22 million in Parking System Revenue Bonds in Fiscal Year 2006, amortized over 30 years at an interest rate of 6.25%.

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LEGAL OPINION AND TAX EXEMPTION

General

Certain legal matters relating to the validity of the 2005A Bonds are subject to the approving opinion of McGuireWoods LLP, Richmond, Virginia, Bond Counsel. Such opinion will be furnished at the expense of the City upon delivery of the 2005A Bonds. Bond Counsel has not prepared this Official Statement or verified its accuracy, completeness or fairness and, accordingly, such opinion will express no opinion of any kind as to this Official Statement.

Bond Counsel's opinion with respect to the 2005A Bonds, in substantially the form of Appendix D, will state that, under current law and assuming compliance with the Covenants (as defined below), that interest on the 2005A Bonds (including any accrued "original issue discount" properly allocable to the owners of the 2005A Bonds) is excludable from gross income for purposes of federal income taxation and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (a "Specific Tax Preference Item"). However, for purposes of the alternative minimum tax imposed on corporations (as defined for federal income tax purposes under Section 56 of the Internal Revenue Code of 1986, as amended (the "Code")), interest on the 2005A Bonds must be included in computing adjusted current earnings.

Bond Counsel's opinion will also state that, under current law, interest on the 2005A Bonds is excludable from gross income for purposes of income taxation by the Commonwealth of Virginia. Prospective purchasers of the 2005A Bonds should consult their own tax advisors regarding the tax status of the interest on the 2005A Bonds in a particular state or local jurisdiction other than Virginia.

In delivering its opinions, Bond Counsel is (a) relying upon certifications of representatives of the City as to facts material to the opinion, and (b) assuming continuing compliance with the Covenants (as defined below) by the City, so that interest on the 2005A Bonds will remain excludable from gross income for federal income tax purposes and not become a Specific Tax Preference Item. The City has covenanted to comply with the provisions of the Code applicable to the 2005A Bonds, including among other things, requirements as to the use, expenditure and investment of proceeds of the 2005A Bonds, the use of the property financed by the 2005A Bonds, the source of the payment of and security for the 2005A Bonds, the arbitrage yield restrictions and rebate requirements imposed by the Code and certain other actions that could cause interest on the 2005A Bonds to be includable in gross income of their owners (the "Covenants"). Failure of the City to comply with the Covenants could cause interest on the 2005A Bonds to become includable in gross income for federal income tax purposes retroactively to their date of issue. Bond Counsel's opinion will also be given in reliance on verifications discussed under "Verification of Mathematical Computation" above.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the 2005A Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a 2005 Bond. Prospective purchasers of the 2005A Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning or disposing of the 2005A Bonds.

Prospective purchasers of the 2005A Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers including, without limitation, financial institutions, certain insurance companies, certain corporations (including S corporations and foreign corporations), certain foreign corporations subject to the “branch profits tax,” individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers attempting to qualify for the earned income tax credits.

Original Issue Premium

In general, if an owner acquires a bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond, determined based on constant yield principles. An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Prospective purchasers of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Possible Legislation or Regulatory Action

Legislation affecting municipal securities is continually being considered by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the 2005A Bonds will not have an adverse effect on the tax-exempt status or the market price of the 2005A Bonds. In addition, the Internal Revenue Service has established an expanded audit and enforcement program for tax-exempt bonds. There can be no assurance that

an audit initiated or other enforcement or regulatory action taken by the Internal Revenue Service involving either the 2005A Bonds or other tax-exempt bonds will not have an adverse effect on the tax-exempt status or market price of the 2005A Bonds.

PENDING LITIGATION

The City is involved from time to time in various legal actions some of which affect the Parking System. In the opinion of the City Attorney, there is no litigation now pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the 2005A Bonds, or in any way contesting or affecting the validity of the 2005A Bonds, any proceeding of the City taken with respect to their issuance or sale, or the powers of the City with respect to the operation of the Parking System including the City's ability to collect and apply Revenues of the Parking System as set forth in the Indenture.

According to the City there is no litigation pending or, to its knowledge and belief; threatened which would have a material adverse effect on the operations or financial condition of the Parking System.

BOND RATINGS

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services ("S&P") are expected to give the 2005A Bonds ratings of Aaa and AAA, respectively, based on the municipal bond insurance policy to be issued by MBIA Insurance Corporation upon delivery of the 2005A Bonds.

Further explanation of the significance of such ratings may be obtained from Moody's and S&P. The ratings are not a recommendation to buy, sell or hold the 2005A Bonds and should be evaluated independently.

The ratings reflect only the views of the respective rating agency. Any explanation of the significance of the ratings may be obtained only from the respective rating agency. There can be no assurance that such policies or practices or such ratings will continue for any given period of time or that such ratings will not be lowered or withdrawn entirely by such rating agencies if, in the judgment of any such rating agency, circumstances so warrant. Any such downward change in or withdrawal of a rating may have an adverse effect on the marketability or market price of the 2005A Bonds then outstanding.

FINANCIAL STATEMENTS

The audited Parking Facilities Fund financial statements with accompanying notes for the fiscal year ended June 30, 2004, are published, along with the accompanying report of the City's independent accountants, in Appendix A.

FINANCIAL ADVISOR

The City has retained Public Financial Management, Inc. of Arlington, Virginia, as financial advisor in connection with the issuance and sale of the 2005A Bonds. Although Public Financial Management, Inc. has assisted in the preparation of this Official Statement, Public Financial Management, Inc. is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. Public Financial Management, Inc. is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

UNDERWRITING

The 2005A Bonds are being purchased by Banc of America Securities LLC (the “Underwriter”). The Underwriter has agreed to purchase the 2005A Bonds from the City at a price of \$27,583,240.25, which is net of an Underwriter’s discount of \$146,210.30, and includes original issue premium of \$1,684,450.55. The Underwriter’s obligation is subject to certain conditions precedent to closing, and they will be obligated to purchase all of any series of the 2005A Bonds if any 2005A Bonds of such series are purchased. The 2005A Bonds may be offered and sold to certain dealers (including the Underwriter and other dealers depositing such 2005A Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed from time to time by the Underwriter.

CONTINUING DISCLOSURE

The offering of the 2005A Bonds is subject to the continuing disclosure requirements of Rule 15c2-12 (the “Rule”) issued by the Securities and Exchange Commission. Pursuant to the Rule, the City has undertaken for the benefit of the Bondholders to make public certain annual financial information and notice of certain material events with respect to the 2005A Bonds by furnishing such information to each nationally recognized municipal securities information repository and to certain other entities.

See Appendix E - “Form of Continuing Disclosure Agreement” for a more detailed description of the City’s continuing disclosure undertakings.

There have been no instances in which the City has failed in any material respect to comply with the provisions of the Rule. A failure by the City to comply with its continuing disclosure undertaking will not constitute an Event of Default under the Master Indenture (although the Bondholders will have any available remedy at law or in equity to enforce the undertaking). However, a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the 2005A Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the 2005A Bonds and their market price.

MISCELLANEOUS

Certain legal matters will be passed on for the City by the City Attorney and for the Underwriter by its counsel, Kaufman & Canoles, P.C., Norfolk, Virginia.

This Official Statement and any advertisement of the 2005A Bonds are not to be construed as a contract with the purchasers of the 2005A Bonds. Any statement made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly identified, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The references in this Official Statement to and summaries of federal, Commonwealth and City laws, including but not limited to the Constitution of the Commonwealth of Virginia, the Code of Virginia, the City Charter and documents, agreements and court decisions are summaries of certain their provisions. Such summaries do not purport to be complete and are qualified in their entirety by reference to such acts, laws, documents, agreements or decisions, copies of which are available for inspection during normal business hours at the office of the City Attorney.

Any questions concerning the content of this Official Statement should be directed to the Director of Finance, City Hall Building, Room 600, Norfolk, Virginia 23510, telephone number (757) 664-4346.

The City Council has by ordinance authorized the execution and delivery of this Official Statement on behalf of the City by the City Manager and the Director of Finance. The City hereby “deems final” this Official Statement for the purposes of the Rule except for information that may be omitted from a “deemed final” official statement under the Rule.

CITY OF NORFOLK, VIRGINIA

/s/Regina V.K. Williams

City Manager

/s/Steven G. de Mik

Director of Finance

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APPENDIX A

**PARKING SYSTEM AUDITED FINANCIAL REPORT FOR
THE FISCAL YEARS ENDED JUNE 30, 2004 AND 2003**

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**CITY OF NORFOLK, VIRGINIA
PARKING FACILITIES FUND**

FINANCIAL REPORT

JUNE 30, 2004

CITY OF NORFOLK, VIRGINIA
PARKING FACILITIES FUND
June 30, 2004
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Independent Auditors' Report

The Honorable Members of the City Council
City of Norfolk, Virginia

We have audited the accompanying statement of net assets of the Parking Facilities Fund of the City of Norfolk, Virginia as of June 30, 2004 and 2003, and the related statements of revenues, expenses and changes in fund net assets and cash flows for the years then ended. These financial statements are the responsibility of the management of the City of Norfolk. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discuss in Note 1 to the financial statements, the accompanying financial statements present only the Parking Facility Fund and are not intended to present fairly the financial position of the City of Norfolk, Virginia and the results of its operations and its cash flows of its proprietary funds in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Parking Facilities Fund of the City of Norfolk, Virginia as of June 30, 2004 and 2003, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the Parking Facilities Fund is managed by the City of Norfolk, Virginia for which, in accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2004 on our consideration of the City's, including the Parking Facilities Fund, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Virginia Beach, Virginia
September 24, 2004

Cherry, DeKant & Holland, LLP

CITY OF NORFOLK, VIRGINIA

Parking Facilities Fund Statements of Net Assets June 30, 2004 and 2003

	2004	2003
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,471,141	\$ 2,375,547
Investments	1,780,000	1,310,000
Receivables:		
Accounts (net)	1,443,888	674,247
Accrued investment income	49,477	52,332
Internal balances	1,305	828
Inventories	270,027	164,270
Other assets	471,123	439,481
Restricted cash held with fiscal agent	2,135,470	2,104,168
Total current assets	<u>12,622,431</u>	<u>7,120,873</u>
Restricted investments	3,852,161	6,077,883
Capital assets:		
Land and improvements	30,697,394	23,742,806
Buildings and equipment	127,786,802	126,761,749
Accumulated depreciation	<u>(29,679,379)</u>	<u>(26,432,194)</u>
Capital assets, net	<u>128,804,817</u>	<u>124,072,361</u>
Total noncurrent assets	<u>132,656,978</u>	<u>130,150,244</u>
Total assets	<u><u>\$ 145,279,409</u></u>	<u><u>\$ 137,271,117</u></u>
LIABILITIES		
Current liabilities:		
Vouchers payable	\$ 344,146	\$ 392,111
Contract retainage	19,960	-
Accrued payroll	86,216	84,614
Internal balances	529,121	1,926,627
Due to agency fund	-	798
Contribution to Employees Retirement System	295,000	206,187
Current portion of bonds payable	3,128,961	3,288,060
Liabilities payable from restricted assets	1,995,534	2,041,490
Compensated absences	92,554	83,078
Other current liabilities	6,484,307	400,000
Total current liabilities	<u>12,975,799</u>	<u>8,422,965</u>
Noncurrent liabilities:		
General obligations payable	8,138,521	10,048,498
Revenue bonds payable	76,219,528	75,544,673
Compensated absences	117,795	105,736
Total noncurrent liabilities	<u>84,475,844</u>	<u>85,698,907</u>
Total liabilities	<u>97,451,643</u>	<u>94,121,872</u>
NET ASSETS		
Invested in capital assets, net of related debt	41,297,847	35,191,130
Restricted	3,852,161	6,140,560
Unrestricted	2,677,758	1,817,555
Total net assets	<u><u>\$ 47,827,766</u></u>	<u><u>\$ 43,149,245</u></u>

CITY OF NORFOLK, VIRGINIA
Parking Facilities Fund
Statements of Revenues, Expenses, and
Changes in Fund Net Assets
Years Ended June 30, 2004 and 2003

	Totals	
	2004	2003
Operating revenues:		
Charges for services	\$ 21,353,727	\$ 18,574,273
Total operating revenues	21,353,727	18,574,273
Operating expenses:		
Personal services	6,673,980	5,506,694
Parking operations	893,250	746,446
Depreciation	3,421,764	3,376,392
Retirement contribution	295,000	206,185
Administrative expenses	278,683	365,246
Other	362,942	656,730
Total operating expenses	11,925,619	10,857,693
Operating income	9,428,108	7,716,580
Nonoperating revenue (expenses):		
Interest income, net of interest capitalized	260,968	305,155
Interest expense and fiscal charges	(4,943,267)	(4,964,544)
Gain (loss) on sale or disposal of fixed assets	-	(12,191)
Unrealized gain on investments	(67,288)	25,391
Total nonoperating revenue (expenses)	(4,749,587)	(4,646,189)
Change in net assets	4,678,521	3,070,391
Total net assets--beginning	43,149,245	40,078,854
Total net assets--ending	\$ 47,827,766	\$ 43,149,245

CITY OF NORFOLK, VIRGINIA
Parking Facilities Fund
Statements of Cash Flows
Years Ended June 30, 2004 and 2003

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 20,584,086	\$ 18,475,467
Payments to suppliers	(1,789,027)	(1,943,748)
Payments to employees	(6,650,843)	(5,464,347)
Payments on notes payable	1,719,000	-
Internal activity--payments (to) from other funds	5,086,003	1,298,331
Amortization of bond discount	174,839	-
Other receipts (payments)	(137,876)	194,958
Net cash provided (used) by operating activities	<u>18,986,182</u>	<u>12,560,661</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	-	1,791,349
Purchases of capital assets	(8,134,260)	(2,007,669)
Refunding of debt principal	-	(1,905,863)
Principal paid on capital debt	(3,288,060)	(4,164,548)
Interest paid on capital debt	(4,989,223)	(4,186,587)
Advance from general fund	(400,000)	(1,900,000)
Net cash provided (used) by capital and related financing activities	<u>(16,811,543)</u>	<u>(12,373,318)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	1,620,260	(13,252)
Interest and dividends	331,997	473,379
Net cash provided (used) by investing activities	<u>1,952,257</u>	<u>460,127</u>
Net increase (decrease) in cash and cash equivalents	4,126,896	647,470
Cash and cash equivalents - beginning of the year	<u>4,479,715</u>	<u>3,832,245</u>
Cash and cash equivalents - end of the year	<u>\$ 8,606,611</u>	<u>\$ 4,479,715</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 9,428,108	\$ 7,716,580
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Cash flows reported in other categories:		
Depreciation expense	3,421,764	3,376,392
Amortization	174,839	194,958
Gain (loss) on disposal of assets	-	12,191
Change in assets and liabilities:		
Receivables, net	(769,641)	(98,806)
Internal balances	(1,398,304)	1,298,331
Inventories	(105,757)	(44,394)
Other assets/prepaid expenses	(32,119)	(284,401)
Accounts/vouchers payables	(47,965)	141,279
Accrued payroll	1,602	31,467
Other long-term liabilities	8,313,655	217,064
Net cash provided by operating activities	<u>\$ 18,986,182</u>	<u>\$ 12,560,661</u>
Reconciliation of cash and cash equivalents to the statement of net assets:		
Cash and cash equivalents	\$ 6,471,141	\$ 2,375,547
Restricted cash with fiscal agent	<u>2,135,470</u>	<u>2,104,168</u>
Total cash and cash equivalents per statement of net assets	<u>8,606,611</u>	<u>4,479,715</u>
Noncash investing, capital, and financing activities:		
Unrealized gain / (loss) on investments	\$ (67,288)	\$ 25,391

**CITY OF NORFOLK, VIRGINIA
PARKING FACILITIES FUND
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2004 and 2003**

Note 1. Summary of Significant Accounting Policies

The Parking Facilities Fund (the "Fund") was established at the direction of Norfolk City Council as an enterprise fund on July 1, 1990. The Fund accounts for the operation of City-owned parking facilities, including operations, maintenance, financing, and related debt service, and billing and collection. Although separate financial statements have been presented for the Fund, it is also included in the City of Norfolk's Comprehensive Annual Financial Report as an Enterprise Fund.

A summary of the Fund's significant accounting policies follows:

Basis of accounting: The Fund uses the accrual basis of accounting. Revenue is recognized in the accounting period in which it is earned and expenses are recognized in the accounting period in which the related liabilities are incurred. The Fund adopted Statement No. 20 of the Governmental Accounting Standards Board *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*. Accordingly, the Fund has elected not to apply Statements and interpretations issued by the Financial Accounting Standards Board after November 30, 1989.

Cash equivalents and investments: Investments are stated at fair value. All highly liquid investments with an original maturity of three months or less are considered to be cash equivalents. The Fund had \$10,000 invested in the State Treasurer's Local Government Investment Pool (LGIP) at June 30, 2004.

Interfund transfers: The General Fund of the City provides administrative services to the Fund, which totaled \$402,912 and \$487,695 for the years ended June 30, 2004 and 2003, respectively. Charges for these services are treated as expenses by the Fund and as revenue by the General Fund.

Inventories: Inventories are stated at the lower of cost (using the first-in, first-out method) or market.

Capital assets: Capital assets are recorded at cost, less accumulated depreciation. Assets acquired prior to July 1985, for which historical cost records were not available, were appraised and valued at estimated historical cost by means of accepted price indexing methodology.

**CITY OF NORFOLK, VIRGINIA
PARKING FACILITIES FUND
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Depreciation: Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	25 - 40
Furniture, fixtures and equipment	5 - 15

When an asset is retired or otherwise disposed of, the related cost and accumulated depreciation is eliminated from the accounts and any resulting gain or loss is reflected as non-operating revenue or expense.

Interest costs incurred on funds borrowed for construction projects are capitalized, net of interest earned on the temporary investment of the unexpended portion of those funds.

Bond discount: Discount on bonds is amortized, using the effective interest method, over the life of the debt and is included in interest expense.

Deferred gain (loss) on advance refundings: Gain or (loss) on advance refunding is amortized, using the effective interest method, over the shorter of the life of the refunded bonds or the life of the new bonds.

Operating and nonoperating revenues: The Fund reports as operating revenues all charges for services generated through parking fees and certain other miscellaneous revenues. Other revenues, including interest revenue and grants, are reported as nonoperating.

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF NORFOLK, VIRGINIA
PARKING FACILITIES FUND
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2004 and 2003

Note 2. Investments

The following is a summary of the Parking Fund's investments as of June 30, 2004 and 2003:

	2004		2003	
	Cost	Fair Value	Cost	Fair Value
Virginia Aim Program	\$ 2,064,214	\$ 2,084,654	\$ 2,261,994	\$ 2,349,354
Certificates of deposit with original maturity greater than three months	3,795,000	3,795,000	3,201,000	3,201,000
U.S Government and government agency securities	1,786,000	1,837,161	1,786,000	1,837,529
	<u>\$ 7,645,214</u>	<u>\$ 7,716,815</u>	<u>\$ 7,248,994</u>	<u>\$ 7,387,883</u>

The following is a reconciliation of investments held at year-end to the statement of net assets:

	2004	2003
Current assets	\$ 1,780,000	\$ 1,310,000
Included in cash	2,084,654	-
Restricted	3,852,161	6,077,883
	<u>\$ 7,716,815</u>	<u>\$ 7,387,883</u>

The City's Parking Fund has combined amounts restricted for capital projects and amounts for which the nature of the transaction generated a related liability with amounts available for general operating use in the statements for the Parking Fund. These amounts are not available to meet obligations arising from the operating activities of the fund. The amounts listed in the table below are restricted by covenant related to the general obligation bond issue and/or by the external source of the originating transaction.

Total liabilities payable from restricted assets are \$1,995,534 and \$2,041,490 at June 30, 2004 and 2003 respectively.

Note 3. Capital Assets

Capital assets at June 30, 2004 and 2003 are comprised of the following:

	2004	2003
Land, land rights and land improvements	\$ 30,697,394	\$ 23,742,806
Buildings and building improvements	125,171,722	124,944,478
Furniture, fixtures and equipment	1,624,575	1,710,318
Construction-in-progress	990,505	106,953
	<u>158,484,196</u>	<u>150,504,555</u>
Less accumulated depreciation:		
Buildings and building improvements		
Furniture, fixtures and equipment	(29,679,379)	(26,432,194)
	<u>\$ 128,804,817</u>	<u>\$ 124,072,361</u>

**CITY OF NORFOLK, VIRGINIA
PARKING FACILITIES FUND
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2004 and 2003**

Note 4. Long -Term Obligations

General obligation bonds:

A summary of general obligation bond transactions for the fiscal years ended June 30, 2004 and 2003 follows:

	2004	2003
General obligation bonds outstanding at July 1	\$ 12,767,342	\$ 15,891,129
Bonds retired	(2,133,060)	(3,084,548)
Bonds refunded	(3,991,352)	(1,830,584)
Bonds issued	3,466,514	1,791,348
Bonds outstanding at June 30	10,109,444	12,767,345
Unamortized discount/premium	(66,962)	(585,787)
General obligation bonds outstanding June 30, adjusted for unamortized discount/premium	10,042,482	12,181,558
Less current portion	(1,903,961)	(2,133,060)
	<u>\$ 8,138,521</u>	<u>\$ 10,048,498</u>

Parking facilities general obligation bonds outstanding are comprised of the following individual issues:

	<u>2004</u>	<u>2003</u>
\$7,667,345 public improvement serial bonds included as part of the \$101,295,000 bonds issued March 2, 1993, due in annual installments varying from \$95,000 to \$1,170,078 through February 1, 2013, with interest payable semiannually at rates varying from 4.50 to 5.50 percent. The amount is net of \$475,443 due from February 1, 2008 through February 1, 2012, which was refunded on February 13, 2002.	\$ -	\$ 159,829
\$1,916,096 public improvement serial bonds included as part of the \$29,065,000 bonds issued July 1, 1993, due in annual installments varying from \$168,347 to \$189,863 through June 1, 2006, with interest payable semiannually at rates varying from 4.00 to 5.00 percent.	338,852	513,222

**CITY OF NORFOLK, VIRGINIA
PARKING FACILITIES FUND
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2004 and 2003**

Parking facilities general obligation bonds outstanding (continued)	<u>2004</u>	<u>2003</u>
\$11,202,590 public improvement serial bonds included as part of the \$182,685,000 bonds issued March 17, 1994, due in annual installments varying from \$172,680 to \$1,321,182 through June 1, 2013, with interest payable semiannually at rates varying from 4.30 to 5.40 percent.	\$ -	\$ 5,291,299
\$3,548,668 public improvement serial bonds included as part of the \$93,520,000 bonds issued June 15, 1998 due in annual installments varying from \$2,164 to \$465,316 beginning June 1, 2006 through June 1, 2012 with interest rates varying from 4.25 to 5.00 percent.	3,548,668	3,548,668
\$2,003,869 public improvement bonds included as part of the \$47,200,000 refunding bonds issued February 13, 2002 due in annual installments of \$540,894 to \$92,308 beginning on January 1, 2003 through January 1, 2013 with interest rates varying from 2.00 to 5.00 percent.	964,061	1,462,975
\$1,791,348 public improvement serial bonds included as part of the \$39,890,000 refunding bonds issued November 14, 2002, due in annual installments of \$328,935 to \$155,973 from July 1, 2004 through July 1, 2012 with interest rates varying from 5.00 to 5.25 percent.	1,791,349	1,791,349
\$164,399 public improvement bonds included as part of the \$12,265,000 refunding bonds issued December 3, 2003, due in annual installments of \$163,680 to \$719 from December 1, 2004 through December 1, 2009 with interest rates varying from 3.00 to 4.00 percent.	164,400	-
\$3,302,115 public improvement bonds included as part of the \$96,395,000 refunding bonds issued March 3, 2004, due in annual installments ranging from \$1,083,864 to \$321,373 from June 1, 2005 through June 1, 2017 with interest rates varying from 2.00 to 5.00 percent.	<u>3,302,114</u>	<u>-</u>
Parking facilities development bonds outstanding	10,109,444	12,767,342
Unamortized bond discount/premium	<u>66,962</u>	<u>585,782</u>
Net parking facilities development bonds outstanding	<u>\$ 10,042,482</u>	<u>\$ 12,181,560</u>

**CITY OF NORFOLK, VIRGINIA
PARKING FACILITIES FUND
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A summary of the requirement to amortize general obligation bonds is as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>
2005	\$ 1,903,961	\$ 705,616
2006	1,310,999	458,326
2007	1,177,165	384,909
2008	1,198,751	292,845
2009	1,099,096	257,507
2010-2014	3,232,985	473,837
2015-2019	186,487	4,662
	<u>\$ 10,109,444</u>	<u>\$ 2,577,702</u>

General obligation bonds are payable first from the revenue of the specific funds in which they are recorded; however, the full faith and credit of the City are pledged to the payment of the principal and interest on all bonds. There are no sinking fund requirements.

Revenue bonds: A summary of revenue bond transactions for the fiscal years ended June 30, 2004 and 2003 follows:

	<u>2004</u>	<u>2003</u>
Revenue bonds outstanding at July 1	\$ 80,495,000	\$ 81,575,000
Bonds retired	(1,345,000)	(1,080,000)
Bonds issued	1,909,000	-
Bonds outstanding at June 30	81,059,000	80,495,000
Less unamortized discount	(3,614,472)	(3,795,328)
Revenue bonds outstanding at June 30		
adjusted for unamortized discount/premium	77,444,528	76,699,672
Less: current portion	(1,225,000)	(1,155,000)
	<u>\$ 76,219,528</u>	<u>\$ 75,544,672</u>

Parking revenue bonds outstanding are comprised of the following individual issues:

	<u>2004</u>	<u>2003</u>
\$54,450,000 parking revenue serial bonds issued February 1, 1997, due in annual installments beginning in fiscal year 2000, varying from \$935,000 to \$3,625,000 through February 1, 2027 with interest payable semiannually at rates varying from 4.125 to 5.550 percent.	\$ 44,350,000	\$ 44,350,000

**CITY OF NORFOLK, VIRGINIA
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\$17,475,000 parking revenue serial bonds issued February 15, 1999, due in annual installments beginning in fiscal year 2001, varying from \$305,000 to \$1,085,000 through February 1, 2029 with interest payable semiannually at rates varying from 4.00 to 5.00 percent.	\$ 14,220,000	\$ 14,220,000
\$28,040,000 parking revenue serial bonds issued October 1, 2000 due in annual installments beginning in fiscal year 2001, varying from \$185,000 to \$5,115,000 through October 1, 2031 with interest payable semiannually at rates varying from 5.50 to 5.67 percent. A portion of the proceeds was used to advance refund \$9,165,000 from the Parking System Revenue Bonds, Series 1997 and \$3,255,000 from Parking System Revenue Bonds, Series 1999. The bonds refunded had maturity dates ranging from February 1, 2001 to February 15, 2009. On March 7, 2002, \$2,705,000, with maturing dates ranging from February 1, 2028 through February 1, 2031, was retired by a cash funded defeasance.	20,770,000	21,925,000
\$1,909,000 parking revenue bond issued July 11, 2003 due August 1, 2013, with interest payable semiannually at an interest rate of 4.50 percent.	<u>1,719,000</u>	-
Parking facilities revenue bonds outstanding	\$ 81,059,000	\$ 80,495,000
Less unamortized discount	<u>3,614,472</u>	<u>3,795,328</u>
Net parking facilities revenue bonds outstanding	<u>\$ 77,444,528</u>	<u>\$ 76,699,672</u>

A summary of the requirement to amortize revenue bonds is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2005 \$	1,225,000	\$ 4,294,989
2006	1,500,000	4,228,864
2007	1,590,000	4,158,744
2008	1,685,000	4,104,554
2009	1,775,000	4,007,799
2010-2014	11,334,000	18,504,056
2015-2019	13,645,000	15,348,978
2020-2024	17,730,000	11,248,923
2025-2029	21,465,000	5,928,173
2030-2033	9,110,000	742,501
Total \$	81,059,000	\$ 72,567,581

Parking revenue bonds are payable solely from the revenue of the Parking Facilities Fund. The most restrictive covenant of the Parking revenue bonds requires the Parking Facilities Fund net revenue not to be less than the greater of (i) the sum of 1.25 times Senior Debt Service and 1.0 times Subordinated Debt service for the fiscal year and (ii) 1.0 times the funding requirements for transfers from the Revenue Fund to the Bond

**CITY OF NORFOLK, VIRGINIA
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Fund, the Parity Debt Service Fund, the Repair and Replacement Reserve Fund, the Surety Bond Interest Fund and the Subordinate Debt Service Fund. Pursuant to the terms of the revenue bond indenture, certain resources have been set aside for the repayment of the revenue bonds. These resources are classified as restricted investments and cash held with fiscal agent on the Statement of Net Assets because their use is limited by applicable bond covenants.

Bonds authorized and unissued as of June 30, 2004 were \$15,223,429.

Derivatives – Interest Rate Swap

Objective of the interest rate swap. As a means to hedge the City's parking enterprise operations exposure to taxable variable interest rates, the City entered into an interest rate swap in connection with its taxable \$10,180,000 Variable Rate Parking System Revenue Bonds, Series 2000A. The intention of the swap was to effectively change the City's interest rates on the bonds to a fixed rate of 4.7 percent.

Terms. The bonds mature on February 1, 2009. The swap agreement matures on February 1, 2007 and the swap's notional amount was \$5,615,000 on June 30, 2004. The notional amount on the swap declines in conjunction with the associated debt. Under the swap, the City pays the counterparty a fixed payment of 4.7 percent and receives a variable payment based on the London Interbank Offered Rate (LIBOR). The bond's variable-rate coupons are remarketed weekly and are generally anticipated to be 0.05% to 0.10% higher than one-month LIBOR. At June 30, 2004 the bonds were remarketed at 1.160%.

Fair Value. Because interest rates have declined since the execution of the swap, the swap on a market to market valuation has a negative fair value to the City of \$173,378 as of June 30, 2004.

Credit Risk. As of June 30, 2004, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the city would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated AA by Fitch, AA- by Standard and Poor's and Aa1 by Moody's Investors Service as of June 30, 2004.

Basis Risk. The swap exposes the city to basis risk should the relationship between LIBOR and the remarketed rate diverges, changing the synthetic rate on the bonds. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized.

**CITY OF NORFOLK, VIRGINIA
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Termination Risk. The contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an additional termination event if at any time the counterparty ceases to be obligated to extend credit in the credit agreement for the underlying bonds.

Swap Payments and Associated Debt: As of June 30, 2004, debt service requirements of the variable-rate debt and net swap payments, *assuming current interest rates remain the same*, for their term were as follows:

Fiscal Years Ending June 30	Variable Rate Bond		Interest Rate		Total
	Principal	Interest	Swap	Net	
2005	\$ 1,225,000	\$ 59,213	\$ 180,702		\$ 1,464,915
2006	1,310,000	44,593	136,084		1,490,677
2007	1,400,000	28,961	63,602		1,492,563
2008	1,495,000	12,262	34,692		1,541,954
2009	185,000	1,252	-		186,252
2010	-	-	-		-
Total	\$ 5,615,000	\$ 146,281	\$ 415,080		\$ 6,176,361

As rates vary, variable bond interest payments and net swap payments will vary.

Note 5. Retirement Obligations

The Fund contributes to the Employee's Retirement System of the City of Norfolk (the "System"), a single-employer noncontributory defined benefit plan, which is accounted for as a separate Pension Trust Fund. Reference should be made to the Comprehensive Annual Financial Report of the City of Norfolk for further description of the plan. The retirement expense was \$295,000 for fiscal year 2004 and \$206,187 fiscal year 2003.

Note 6. Concentration of Credit Risk

The Fund's cash and investments are pooled with other City monies for investment purposes. These amounts were covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. Reference should be made to the Comprehensive Annual Financial Report of the City of Norfolk for further cash and investment disclosures.

Note 7. Commitments

Commitments for completion of capital projects authorized at June 30, 2004 were approximately \$8,687,849.

**CITY OF NORFOLK, VIRGINIA
PARKING FACILITIES FUND
NOTES TO FINANCIAL STATEMENTS
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Note 8. Litigation

The City is a defendant in a number of lawsuits. Although it is not possible to determine the final outcome of these matters, management and the City attorney are of the opinion that the ultimate liability will not be material and will not have a significant effect on the Fund's or the City's financial condition.

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APPENDIX B

**DEFINITIONS AND SUMMARY OF CERTAIN
PROVISIONS OF THE INDENTURE**

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DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain provisions contained in the Master Indenture and the Seventh Supplemental Indenture and does not purport to be a complete statement of all of the provisions of those documents. Reference is made to the Master Indenture and the Seventh Supplemental Indenture in their entirety for complete information on their terms and on the terms of the 2005A Bonds, the applicable security provisions and the application of the Revenues.

Definitions

Unless defined above in this Official Statement, all capitalized terms used in this Official Statement and in this Appendix have the meanings set forth below:

“Accreted Value” means, with respect to any Capital Appreciation Bond, the principal amount thereof plus accrued interest thereon, compounded on the Compounding Dates and at the approximate interest rate or rates set forth therein, all as more fully described in the Supplemental Indenture authorizing the issuance of such Capital Appreciation Bond. The Accreted Value at any date shall be the amount set forth in the Accreted Value Table as of such date, if such date is a Compounding Date, and if not, as of the immediately preceding Compounding Date.

“Accreted Value Table” means the table denominated as such which appears as an exhibit to a Supplemental Indenture providing for the issuance of Capital Appreciation Bonds.

“Act” means the Public Finance Act of 1991, Chapter 6, Title 15.2 of the Code of Virginia of 1950, as amended.

“Annual Budget” means the budget for the Facilities adopted annually by the City pursuant to the Master Indenture.

“Authorized City Representative” means the Director of Finance or any other person or persons designated to act on behalf of the City by a certificate signed by the City Manager and filed with the Trustee.

“Average Interest Rate” means the average of the actual interest rates which were in effect (weighted according to the length of the period during which each such interest rate was in effect) for the most recent twelve-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a twelve-month period), except that with respect to new Variable Rate Indebtedness the interest rate for such Variable Rate Indebtedness for the initial twelve-month period will be the initial rate at which such Variable Rate Indebtedness is issued and thereafter will be calculated as set forth above.

“Balloon Indebtedness” means any Indebtedness, including any Bond Anticipation Notes, twenty-five percent or more of the original principal amount of which matures or is subject to mandatory redemption during any consecutive twelve-month period, if the maturing principal amount is not required to be amortized below such percentage by mandatory redemption or prepayment before the twelve-month period.

“Bank” means (i) a bank or trust company that has a combined capital, surplus and undivided profits of not less than \$50,000,000 or (ii) a subsidiary trust company with combined capital, surplus and undivided profits, together with that of its parent bank or bank holding company, as the case may be, of not less than \$50,000,000; provided, however, that any such bank or trust company will have (or have a parent company which has) a long-term debt rating within one of the three highest categories by at least one of the Rating Agencies.

“Bond” or “Bonds” mean any bond or all of the bonds, as the case may be, issued pursuant to the Master Indenture and any Supplemental Indenture, including the 2005A Bonds, but not including any Parity Indebtedness or Subordinate Debt or any bonds or other evidence of indebtedness of the City issued from time to time under any other indenture, trust agreement, ordinance, resolution or similar instrument.

“Bond Anticipation Notes” mean notes or other obligations issued in anticipation of the issuance of Bonds.

“Bond Counsel” means an attorney or a firm of attorneys (designated by the City) of nationally recognized standing in matters pertaining to the validity of and the tax-exempt nature of interest on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

“Bond Debt Service” means for any period of twelve consecutive months the Debt Service Requirement with respect to any Bonds then Outstanding.

“Bond Fund” means the fund by that name established by the Master Indenture.

“Business Day” means any day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in the Commonwealth, or the city in which the principal corporate trust office of the Trustee or the Paying Agent is located, are authorized by law to close, (iii) a day on which the New York Stock Exchange is closed, or (iv) such other days as may be specified in a Supplemental Indenture.

“Capital Appreciation Bonds” mean the Bonds in any Series designated as Capital Appreciation Bonds in the Supplemental Indenture authorizing the issuance of the Series and on which all or a portion of the interest payable thereon is compounded on a specified Compounding Date or Dates and paid thereafter.

“Capitalized Interest Account” means the Capitalized Interest Account of the Bond Fund.

“City” means the City of Norfolk, Virginia, a municipal corporation chartered by the Commonwealth.

“City Obligations” means for any Fiscal Year the amount budgeted to be paid to the general fund of the City for PILOT and ROI.

“City Manager” means the City Manager of the City or, if the City no longer has a person with the title of City Manager, the person filling the office with similar duties as the City Manager or such other person as may be designated by the Council.

“Code” means the Internal Revenue Code of 1986, as amended, including applicable regulations and revenue rulings, and any successor codification.

“Commonwealth” means the Commonwealth of Virginia.

“Compounding Date” for Bonds of any Series will have the meaning set forth in the Supplemental Indenture authorizing the issuance of such Bonds.

“Consulting Engineer” means an independent engineering firm or individual engineer that (i) is licensed to do business in Virginia, (ii) experienced with matters related to parking facilities similar to the Facilities and (iii) has been retained by the City as “Consulting Engineer.”

“Cost” or “Cost of the Project” means all costs incurred by the City in connection with the acquisition, expansion, construction, improvement, renovation and equipping of the Facilities or any Project constituting a portion of the Facilities, as permitted by the Act, including, without any limitation except pursuant to the Act, the purchase price of any Project acquired by the City or the cost of acquiring all of the capital stock of the corporation owning the Project and the amount to be paid to discharge any obligations in order to vest title to the Project or any part of it in the City, the cost of improvements, property or equipment, the cost of construction or reconstruction, the cost of all labor, materials, machinery and equipment, the cost of all land, property, rights, easements and franchises acquired, financing charges, interest before and during construction, start-up costs and operating capital, the cost of plans and specifications, surveys and estimates of cost and of revenues, the cost of engineering, legal and other professional services, expenses incident to determining the feasibility or practicability of the Project, any amounts to

be deposited to reserve or replacement funds, and other expenses as may be necessary or incident to the financing of a Project, including any amounts required to be rebated to the United States of America pursuant to Section 148(f) of the Code.

“Counsel” means such attorney or firm of attorneys selected or approved by the City who are duly admitted to practice law before the highest court of any state of the United States of America, none of whom is a full-time employee, member, director or officer of the City or a full-time employee or officer of the Trustee.

“Credit Facility” means a line of credit, letter of credit, standby bond purchase agreement or similar credit enhancement or liquidity facility established to provide credit or liquidity support for Bonds or Parity Indebtedness.

“DTC” means Depository Trust Company, or its successors.

“Dealer” means a financial institution or government bond dealer which (i) is a member of the Securities Investors Protection Corporation and (ii) has a long-term debt rating in one of the three highest rating categories by at least one of the Rating Agencies or has a dealer or parent holding company that has a long-term debt rating within one of the three highest rating categories by at least one of the Rating Agencies.

“Debt Service Requirement” means, for any period of twelve consecutive months for which such determination is made, the aggregate of the amounts required to be deposited, as the case may be, in the Bond Fund, the Parity Debt Service Fund and the Subordinate Debt Service Fund during the period pursuant to the Master Indenture with respect to any Bonds, Parity Indebtedness or Subordinate Debt; provided, however, that:

(a) With respect to any Option Obligations, such Option Obligations will be assumed to mature on their stated dates of maturity;

(b) With respect to Balloon Indebtedness, it will be assumed that the principal of such Balloon Indebtedness, together with interest at the rate applicable to such Balloon Indebtedness, will be amortized in equal annual installments over a period of thirty years from the final maturity date of the Balloon Indebtedness;

(c) With respect to Variable Rate Indebtedness, interest on such Indebtedness will be calculated at the Average Interest Rate;

(d) With respect to obligations related to any Credit Facility which constitute Parity Indebtedness or Subordinate Debt, to the extent that such Credit Facility has not been used or drawn upon, or any drawing or use has been reimbursed in full to the provider, the principal and interest relating to such Credit Facility will not be included in the Debt Service Requirement for such Parity Indebtedness or Subordinate Debt; and

(e) With respect to any Hedged Indebtedness, the interest on such Indebtedness will be calculated at the Hedged Rate, if any.

“Debt Service Reserve Fund” means the fund by that name established by the Master Indenture.

“Defeased Municipal Obligations” mean obligations of the Commonwealth or any county, city, town, district, authority, agency, political subdivision or other public body of the Commonwealth, which are rated in the highest rating category by any Rating Agency, provision for the payment of the principal of and interest on which has been made by the deposit with a trustee or escrow agent of Government Obligations or Government Certificates, the maturing principal of and interest on which, when due and payable, will provide sufficient money to pay the principal of, redemption premium, if any, and interest on such obligations.

“Defeased Municipal Obligation Certificate” means evidence of ownership of a proportionate interest in specified Defeased Municipal Obligations, which Defeased Municipal Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any of its states acceptable to the Trustee in the capacity of custodian.

“Defeasance Obligations” mean noncallable (i) Government Obligations, (ii) Government Certificates, (iii) Defeased Municipal Obligations and (iv) Defeased Municipal Obligation Certificates.

“Development Contract” shall mean the Land Disposition and Development Contract, dated as of May 31, 1994 between the Norfolk Redevelopment and Housing Authority (the “Authority”) and Norfolk Place Limited Partnership (“NPL”), as amended by the First Amendment to Land Disposition and Development Contract, dated as of May 8, 1995, between the Authority and NPL, and by the Second Amendment to Land Disposition and Development Contract, dated as of November 13, 1995, between the Authority and Taubman, and by the Third Amendment to the Land Disposition and Development Contract, dated as of February 11, 1996, between the Authority and Taubman, and as it may be amended from time to time hereafter.

“Director of Finance” means the Director of Finance of the City or, if the City no longer has a person with the title of Director of Finance, the person filling the office with similar duties as the Director of Finance or such other person as may be designated by the City Manager.

“Escrow Agent” means U.S. Bank Trust National Association, New York, New York.

“Escrow Deposit Agreement” means the Escrow Deposit Agreement dated as of June 1, 2005 among the City and U.S. Bank Trust National Association as both Trustee and Escrow Agent, as it may be modified, altered, amended and supplemented from time to time.

“Escrow Fund” means the escrow fund established in the Escrow Deposit Agreement.

“Existing Debt Service” means for any Fiscal Year the amount budgeted to be paid to the general fund of the City to pay debt service on general obligation bonds of the City issued to pay costs of the Facilities.

“Event of Default” means any Event of Default specified in the Master Indenture.

“Facilities” means the parking facilities or the interests therein owned or operated by or on behalf of the City, including, but not limited to, any Project and all additions, extensions, improvements and replacements to the Facilities, and any other parking facility which may be added by the City as a part of the Facilities pursuant to the Master Indenture, but excluding any independent parking facilities hereafter owned or operated by the City and accounted for separately by the City unless made part of the Facilities by the City.

“Financial Institution” means any Bank, Insurance Company or Dealer.

“Fiscal Year” means the period of twelve months established by the City as its annual accounting period.

“Fixed Rate Investment” means any obligation the yield on which is fixed and determinable on its issue date.

“General Reserve Fund” means the fund by that name established by the Master Indenture.

“Government Certificates” mean evidences of ownership of a proportionate interest in specified Government Obligations, or specified payments of principal or interest with respect thereto, which are held, in the capacity of custodian, by a bank or trust company organized and existing under the laws of the United States of America or any of its states, which is independent of the seller of such certificates and is acceptable to the Trustee.

“Government Obligations” mean bonds, notes and other direct obligations of the United States of America and securities unconditionally guaranteed as to timely payment by the United States of America.

“Hedge Agreement” means a contract or agreement with a Qualified Hedge Provider, payable from Net Revenues on a parity with or subordinate to any Bonds or Parity Indebtedness intended to place Indebtedness on the interest rate, currency, cash flow or other basis desired by the City, including, without limitation, any interest rate

swap agreement, currency swap agreement, forward payment conversion agreement or futures contract, any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, any contract to exchange cash flows or a series of payments, or any contract, including, without limitation, an interest rate floor or cap, or an option, put or call, to hedge payment, currency, rate, spread or similar exposure, between the City and a counterparty.

“Hedged Indebtedness” means Indebtedness with respect to which the City has entered into a Hedge Agreement, but only during the period prior to the expiration or termination of the Hedge Agreement.

“Hedged Rate” means, with respect to any Hedged Indebtedness, the effective rate of interest determined by taking into account all payments of interest on the Indebtedness and all Hedge Receipts under the related Hedge Agreement, assuming that the City and the provider of the Hedge Agreement make all payments required to be made under the terms of the Hedge Agreement. Hedged Rates may include, but are not limited to, a fixed rate, a variable rate, a fixed rate converting to a variable rate at a future point in time, a variable rate converting to a fixed rate at a future point in time or a variable rate subject to a maximum or minimum established by a Hedge Agreement.

“Hedge Receipts” means all amounts received by the City as periodic payments under a Hedge Agreement.

“Indebtedness” means the Bonds, any Parity Indebtedness or any Subordinate Debt.

“Insurance Company” means an insurance company with a long-term debt rating within one of the three highest rating categories by at least one of the Rating Agencies.

“Insurance Consultant” means an independent insurance consultant who has a favorable reputation for skill and experience in such work.

“Interest Account” means the Interest Account of the Bond Fund.

“Interest Payment Date” means any date on which a payment of interest on any Bonds or any Parity Indebtedness is due.

“Interest Period” means the period from and including an Interest Payment Date to and including the day before the next Interest Payment Date, except the first Interest Period for each Series of Bonds and Parity Indebtedness will be the period from and including the dated date or other date specified in the Supplemental Indenture authorizing the Series of Bonds or the document authorizing the Parity Indebtedness for the Bonds or Parity Indebtedness to begin to bear interest to and including the day before the first Interest Payment Date.

“Letter of Representations” means the letter dated February 26, 1997, from the City to DTC, as it may be modified, altered, amended and supplemented from time to time.

“MacArthur Center Garages” means the North Garage and the South Garage as defined in the Parking Agreement.

“MacArthur Center Garage Reserve Fund” means the fund by that name established in the Master Indenture.

“MacArthur Center Garage Reserve Requirement” means \$750,000 or such other amount as may be required pursuant to the Parking Agreement.

“Master Indenture” means the Master Indenture of Trust, between the City and the Trustee, as it may be modified, altered, amended and supplemented from time to time in accordance with its terms.

“Net Proceeds” mean the proceeds from any insurance recovery remaining after payment of attorneys’ fees, fees and expenses of the City and the Trustee and all other expenses incurred in collection of the gross proceeds.

“Net Revenues” mean Revenues less Operating Expenses.

“Non-Arbitrage Certificate” means the certificate by the name which the City Manager and the Director of Finance of the City will execute and deliver on the Closing Date.

“Operating Expenses” mean all expenses which may reasonably be determined by the City in its Annual Budget to be directly or indirectly attributable to the ownership or operation of the Facilities and payable as Operating Expenses without regard to the treatment of such expenses under generally accepted accounting principles, including, without limitation, reasonable and usual expenses of administration, operation, maintenance and repair, which may include expenses not annually recurring, costs of billing and collecting the rates, fees and charges for the use of or the services furnished by the Facilities, insurance and surety bond premiums and reserves, other charges and fees necessary for the maintenance of adequate insurance coverage for the City and the Facilities, fees and payments for any Credit Facility, legal, engineering and auditing expenses, expenses and compensation of the Trustee, reimbursement to the City’s general fund for the cost of services rendered with respect to the Facilities, and other expenses of the City required to be paid by law or under the Master Indenture or any Supplemental Indenture, but will not include (i) any allowance for amortization or depreciation, (ii) deposits or transfers to the Bond Fund, the Parity Debt Service Fund, the Debt Service Reserve Fund, the MacArthur Center Garage Reserve Fund, the Repair and Replacement Reserve Fund, the Surety Bond Interest Fund, the Subordinate Debt Service Fund or the Rate Stabilization Fund, (iii) payments for Existing Debt Service or City Obligations, or (iv) expenditures which the City makes an election to capitalize.

“Operating Fund” means the fund by that name established by the Master Indenture.

“Opinion of Counsel” means a written opinion of any Counsel in form and substance acceptable to the Trustee.

“Option Obligations” mean any Indebtedness which by its terms may be tendered by and at the option of its Owner or holder for purchase before its stated maturity.

“Outstanding” means, at any date, the aggregate of all Indebtedness authorized, issued, authenticated and delivered under the Master Indenture and not paid and discharged, except:

- (a) Indebtedness cancelled or surrendered to the Paying Agent for cancellation;
- (b) Indebtedness deemed to have been paid as provided in the Master Indenture or in such other instrument authorizing its issuance; and
- (c) Indebtedness in lieu of or in substitution for which other Indebtedness has been authenticated and delivered pursuant to the Master Indenture and any Supplemental Indenture unless proof satisfactory to the Paying Agent is presented that any such Indebtedness is held by a bona fide Owner.

In determining whether Owners of a requisite aggregate principal amount of the Outstanding Bonds or Parity Indebtedness have concurred in any request, demand, authorization, direction, notice, consent or waiver under the Master Indenture or any Supplemental Indenture, the principal amount of Capital Appreciation Bonds will be their Accreted Value (as of the Compounding Date immediately preceding such determination). Indebtedness which is owned by the City will be disregarded and deemed not to be Outstanding for the purpose of any such determination; provided, however, that for the purpose of determining whether the Trustee will be protected in relying upon any request, demand, authorization, direction, notice, consent or waiver, only Indebtedness which the Trustee knows to be so owned will be disregarded.

“Owner” means the Person in whose name a particular Bond is registered on the records of the Paying Agent or who is the holder of Parity Indebtedness.

“Parity Debt Service” means for any period of twelve consecutive months the Debt Service Requirement with respect to Parity Indebtedness.

“Parity Debt Service Fund” means the fund by that name established by the Master Indenture.

“Parity Indebtedness” means any Indebtedness incurred in accordance with the Master Indenture which is secured on a parity with the Bonds, including bonds, notes or other evidences of indebtedness issued pursuant to the Master Indenture and any Supplemental Indenture equally and ratably secured by a pledge of Net Revenues and, at the City’s option, any other security pledged to such bonds, notes or other evidences of indebtedness but which are not secured by the Debt Service Reserve Fund. Parity Indebtedness may also include Bond Anticipation Notes, Hedge Agreements or obligations with respect to Credit Facilities; provided, however, Parity Indebtedness does not include any bonds or any other indebtedness of the City issued from the time to time under any other indenture, trust agreement, ordinance, resolution or other instrument not secured by a pledge of Revenues.

“Parking Agreement” means the Parking Development, Operation and Maintenance Agreement, dated as of June 14, 1996, by and among the City, the Authority, Taubman, Nordstrom, Inc., a Washington corporation, and Dillard Department Stores, Inc., a Delaware corporation, as modified, altered, amended and supplemented from time to time, or any successor agreement thereto.

“Paying Agent” means any paying agent for the Bonds (and may include the Trustee) and its successor or successors appointed pursuant to the provisions of any Supplemental Indenture. Unless otherwise provided in a Supplemental Indenture, the Trustee will be the Paying Agent.

“Person” means an individual, a corporation, a partnership, a limited liability company or partnership, a general partner of a partnership, an association, a joint stock company, a trust, any unincorporated organization, or a governmental unit or its political subdivision.

“PILOT” means for any Fiscal Year the amount budgeted to be paid with respect to the Facilities to the general fund of the City in lieu of taxes.

“Plain Par Investments” mean a Fixed Rate Investment:

- (a) Issued with not more than a De Minimis Amount of original issue discount or premium, or, if acquired on a date other than its issue date, acquired with not more than a De Minimis Amount of market discount or premium;
- (b) Issued for a price that does not include accrued interest other than pre-issuance accrued interest;
- (c) That bears interest from its issue date at a single, stated, fixed rate, with interest unconditionally payable at least annually; and
- (d) That has a lowest stated redemption price that is not less than its outstanding stated principal amount.

“Present Value” means the present value computed under the economic accrual method (using the same compounding interval and financial conventions used to compute the yield on the relevant Series of Bonds under Section 148 of the Code) of all unconditionally payable receipts to be received from and payments to be paid for an investment after the valuation date, using the yield on the investment as determined under the Code as the discount rate.

“Principal Account” means the Principal Account of the Bond Fund.

“Principal Payment Date” means any date on which a payment of principal or Accreted Value of any Bonds or any Parity Indebtedness is due.

“Principal Period” means the period from and including a Principal Payment Date to and including the day before the next Principal Payment Date, except the first Principal Period for each Series of Bonds or Parity Indebtedness will be the twelve months immediately preceding the first Principal Payment Date unless some other period is specified in the Supplemental Indenture authorizing the Series of Bonds or the Service Contract or other document authorizing the Parity Indebtedness.

“Project” means either (i) any discrete project of repair, reconstruction or restoration of the Facilities to be financed with Net Proceeds deposited in the Project Fund or (ii) any undertaking defined as a “Project” in any Supplemental Indenture.

“Project Fund” means the fund by that name established by the Master Indenture.

“Qualified Hedge Provider” means an entity (i) the debt securities of which are rated in one of the two highest long-term debt rating categories by a Rating Agency, (ii) the obligations of which under the Hedge Agreement are either guaranteed or insured by an entity the debt securities of which are rated in one of the two highest long-term debt rating categories by a Rating Agency, or (iii) the debt securities of which are rated in third highest long-term debt rating category by a Rating Agency and the obligations of which under the Hedge Agreement are continuously and fully secured by investments described later in paragraphs 1 through 4, paragraph 6 or paragraph 7 of the Section entitled Investments.

“Rate Stabilization Fund” means the fund established by the Master Indenture.

“Rate Stabilization Requirement” means such amount as may be established by the City pursuant to the Master Indenture, and if no such amount is established, the Rate Stabilization Requirement will be zero.

“Rating Agency” means any nationally recognized securities rating agency then rating any of the Bonds at the request of the City.

“Redemption Account” means the Redemption Account of the Bond Fund.

“Refunding Bonds” mean a Series or portion of a Series of Bonds issued to retire or refund all or any portion of another Series of Bonds, Parity Indebtedness or other obligations of the City.

“Repair and Replacement Reserve Fund” means the fund by that name established by the Master Indenture.

“Replacement Reserve Requirement” means \$250,000 or such other amount to be determined by the City pursuant to the Master Indenture.

“Revenue Covenant” means the revenue covenant as defined in the Master Indenture.

“Revenue Fund” means the fund by that name established by the Master Indenture.

“Revenues” mean all revenues, receipts and other income derived or received by the City from the ownership or operation of the Facilities including, without limitation, any investment earnings and transfers, if any, from the Rate Stabilization Fund to the Revenue Fund, but excluding (i) any gift, grant or contribution to the extent restricted by the donor or grantor to a particular purpose inconsistent with its use for the payment of Debt Service, (ii) proceeds derived from insurance or condemnation, and (iii) any transfers from the Revenue Fund to the Rate Stabilization Fund. Any lump sum prepayment of Revenues received by the City will be reserved by the City in a subaccount in the Revenue Fund and disbursed from the subaccount and recognized as Revenues monthly over the appropriate accrual period.

“ROI” means for any Fiscal Year the amount budgeted to be paid with respect to the Facilities to the general fund of the City as a return on the City’s investment in the Facilities.

“Senior Debt Service” means for any period of twelve consecutive months the sum of Bond Debt Service and Parity Debt Service during the period.

“Serial Bonds” mean any Bonds of a Series which are stated to mature in annual installments including any Capital Appreciation Bonds, but not including any Term Bonds.

“Series” or “Series of Bonds” mean a separate series of Bonds issued under the Master Indenture pursuant to a Supplemental Indenture.

“Series Project Account” means a series Project Account established with respect to a Series of Bonds in the Project Fund.

“Series Reserve Account” means a Series Reserve Account established in the Debt Service Reserve Fund.

“Series Reserve Requirement” for any Series of Bonds for which a Series Reserve Account is established shall have the meaning set forth in the Supplemental Indenture authorizing the issuance of such Series of Bonds.

“Seventh Supplemental Indenture” means the Seventh Supplemental Indenture of Trust, dated as of June 1, 2005, between the City and the Trustee, as it may be modified, altered, amended and supplemented.

“Subordinate Debt” means bonds, notes or other evidences of indebtedness of the City, and any lease which is required to be capitalized by generally accepted accounting principles, secured by a pledge of Net Revenues expressly made subordinate to the pledge of Net Revenues securing the Bonds and Parity Indebtedness or which is unsecured.

“Subordinate Debt Service” means for any period of twelve consecutive months the Debt Service Requirement with respect to any Subordinate Debt.

“Subordinate Debt Service Fund” means the fund by that name established by the Master Indenture.

“Supplemental Indenture” means any indenture supplemental to or amendatory of the Master Indenture as originally executed, which is duly executed and delivered in accordance with the provisions of the Master Indenture.

“Surety Bond Interest Fund” means the fund by that name established by the Master Indenture.

“Term Bonds” mean Bonds of a Series which are stated to mature on one date and which are subject to scheduled mandatory redemption before such date.

“Trustee” means U.S. Bank Trust National Association, New York, New York, a national banking corporation organized under the laws of the Commonwealth, and its successor or successors under the Master Indenture.

“Variable Rate Indebtedness” means any Indebtedness the interest on which is not established at the time of its issuance at a rate which is fixed until its maturity.

“2005A Bonds” mean the Parking System Revenue Refunding Bonds of the City issued pursuant to Article II of the Seventh Supplemental Indenture.

“2005A Series Bond Year” means the twelve-month period beginning on February 2 of one year and ending on February 1 of the following year.

“2005A Series Cost of Issuance Account” means the special account in the Project Fund established by the Seventh Supplemental Indenture.

“2005A Series Reserve Account” means the Series Reserve Account in the Debt Service Reserve Fund for the 2005A Bonds established by the Seventh Supplemental Indenture.

**SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE
AND THE SEVENTH SUPPLEMENTAL INDENTURE**

Additional Series of Bonds

In connection with the issuance of additional Series of Bonds, the City is required to file, among other things, the following documents with the Trustee:

(1) (a) An original executed counterpart of a Supplemental Indenture which may include provisions (i) authorizing the issuance, fixing the principal amount and setting forth the details of the additional Series of Bonds, including the interest rate or rates and the manner in which the additional Series of Bonds are to bear interest, the Principal and Interest Payment Dates of the additional Series of Bonds, the purposes for which the additional Series of Bonds are being issued, the date and the manner of numbering the additional Series of Bonds, the series designation, the denominations, the maturity dates and amounts, the principal amounts required to be redeemed pursuant to any mandatory redemption provisions or the manner for determining such principal amounts, and any other provisions for redemption before maturity; (ii) for credit facilities and for reserve and other accounts to be established with respect to the Bonds within the funds established under the Master Indenture; (iii) for the amount, if any, to be deposited into the appropriate Series Reserve Account in the Debt Service Reserve Fund, which will be an amount at least sufficient to cause an amount equal to the Series Reserve Requirement, if any, with respect to the Bonds proposed to be issued, to be on deposit in such Series Reserve Account; (iv) for the additional application of the proceeds of the additional Series of Bonds; (v) necessary or expedient for the issuance of additional Series of Bonds constituting Variable Rate Indebtedness, including without limitation, tender and remarketing provisions, liquidity facility provisions and provisions for establishing the variable rate and changing interest rate modes; and (vi) for such other matters as the City may deem appropriate; and

(b) If all or any portion of the Series of the additional Series of Bonds to be issued pursuant to any Supplemental Indenture are to be secured by a Credit Facility, originally executed counterparts of all documentation required for the issuance of the Credit Facility and opinions of counsel to the Credit Facility provider as to its due authorization, validity and enforceability.

(2) A certified copy of an ordinance or resolution of the Council of the City authorizing the execution and delivery of the Supplemental Indenture and the issuance, award, execution and delivery of the additional Series of Bonds and, in the case of Refunding Bonds, calling for any redemption or providing for payment of the Bonds, of Bonds, Parity Indebtedness or other obligations of the City to be refunded, fixing any redemption date and authorizing any required notice of redemption in accordance with the provisions of the Master Indenture and the Supplemental Indentures.

(3) A certificate signed by the City Manager or Director of Finance of the City and dated the date of issuance, to the effect that to the best of his or her knowledge, upon and immediately following the issuance, no Event of Default under the Master Indenture, and no event or condition which, with the giving of notice or lapse of time or both, would become an Event of Default under the Master Indenture, will have occurred and be continuing, or, if such Event of Default or event or condition has occurred and is continuing, it will be cured upon the issuance of the additional Series of Bonds or upon completion of the Project to be financed with the additional Series of Bonds.

(4) An Opinion or Opinions of Counsel, subject to customary exceptions and qualifications, to the effect that the Supplemental Indenture delivered pursuant to the Master Indenture has been duly authorized, executed and delivered by the City and complies in all respects with the requirements of the Master Indenture.

(5) An opinion of Bond Counsel, subject to customary exceptions and qualifications, to the effect that the issuance of the additional Series of Bonds has been duly authorized, that the additional Series of Bonds are valid and binding obligations of the City entitled to the benefits and security of the Master Indenture and that the interest on the additional Series of Bonds is excludable from gross income for purposes of federal income taxation or, if the

interest is not excludable, that the issuance and the intended use of the proceeds of the Bonds will have no adverse effect on the tax-exempt status of the interest on any other additional Series of Bonds then Outstanding the interest on which was excludable from gross income when issued.

(6) A request and authorization of the City, signed by its City Manager or Director of Finance, to the Paying Agent to authenticate and deliver the additional Series of Bonds as directed in the request upon payment to the Trustee for the account of the City of the amount specified in the request.

(7) If the additional Series of Bonds are issued to pay the cost of acquiring, renovating, equipping or constructing improvements, extensions, additions or replacements to the Facilities:

(a) Written certificates from (i) an Authorized City Representative setting forth such person's estimate of the cost of the acquisition, renovation, equipping or construction (including all financing, reserves and related costs) and the date on which such acquisition, renovation, equipping or construction is expected to be completed and (ii) the Director of Finance setting forth the Director's opinion that the proceeds of the additional Series of Bonds, together with any other money available or anticipated to be available for such purpose, will be sufficient to pay the cost of the acquisition, renovation, equipping or construction; and

(b) Either (i) a written certificate of the Director of Finance which states that the proceeds of the proposed additional Series of Bonds are necessary to finance the completion of a Project or any portion thereof for which Bonds have previously been issued or (ii) a written certificate of the Director of Finance, a Consulting Engineer or an independent certified public accountant which states that during any twelve consecutive months of the eighteen months preceding the issuance of the proposed additional Series of Bonds the City would have been in compliance with the Revenue Covenant, taking into account the maximum Bond Debt Service due on the proposed additional Series of Bonds in the current or any future Fiscal Year and those rates, fees and other charges which are in effect at the time of the delivery of the proposed additional Series of Bonds or (iii) a written statement of the Director of Finance or a Consulting Engineer that projects Operating Expenses, Revenues and Net Revenues for two full Fiscal Years following the anticipated completion of the acquisition, renovation, equipping or construction, and which demonstrates that, on the basis of such projection, the City can comply with the Revenue Covenant, taking into account those rates, fees and other charges which are in effect at the time of the delivery of the proposed additional Series of Bonds and future increases in such rates, fees and other charges as may be required to continue to comply with the Revenue Covenant.

In connection with any Net Revenue adjustment permitted by subparagraph (b) of this subsection, any increases in rates, fees and charges for services of or the use of the Facilities that have been approved by the Council of the City at the time of the certification may be taken into account.

(8) If the additional Series of Bonds are Refunding Bonds issued to refund Bonds, additional Series of Bonds or Parity Indebtedness issued under the Master Indenture:

(a) Evidence satisfactory to the Trustee that the City has made provision as required by the Indenture for the payment or redemption of all Bonds or Parity Indebtedness to be refunded;

(b) A written determination by the Trustee or by a firm of certified independent public accountants that the proceeds (excluding accrued interest) of the Refunding Bonds, together with any other money to be deposited for such purpose with the Trustee, or in escrow for the benefit of the Trustee, upon the issuance of the Refunding Bonds and the investment income to be earned on funds held by, or in escrow for the benefit of, the Trustee for the payment or redemption of Bonds, additional Series of Bonds or Parity Indebtedness, will be sufficient without reinvestment to pay, whether upon redemption or at maturity, the principal of and premium, if any, and interest on the Bonds, additional Series of Bonds or Parity Indebtedness to be refunded and the estimated expenses incident to the refunding; and

(c) Either (i) a written determination by the Trustee or by a firm of certified independent public accountants that after the issuance of the Refunding Bonds and the provision for payment or redemption of all

Bonds, additional Series of Bonds or Parity Indebtedness to be refunded, Senior Debt Service for each Fiscal Year in which there will be Outstanding Bonds of any Series not to be refunded will not be more than Senior Debt Service for the Fiscal Year would have been on all Outstanding Bonds and Parity Indebtedness immediately before the issuance of the Refunding Bonds, including the Bonds, additional Series of Bonds and Parity Indebtedness to be refunded or (ii) the written certification required by subsection 7(b) of this Section, except that the projections required by clause (iii) of subsection 7(b) will be for the two full fiscal years following the date of the issuance of the Refunding Bonds.

(9) If the additional Series of Bonds are Refunding Bonds issued to refund obligations of the City issued with respect to the Facilities other than Bonds, additional Series of Bonds or Parity Indebtedness issued under the Master Indenture:

(a) Evidence satisfactory to the Trustee that the City has made provision for the payment or redemption of the other obligations of the City to be refunded; and

(b) The written certification required by subsection 7(b) of this Section, except that the projections required by subsection 7(b) will be for the two full Fiscal Years following the date of issuance of the Refunding Bonds.

Except for the requirements of subparagraph (3) (which may be waived by the purchaser of additional Series of Bonds by an instrument or concurrent instruments in writing signed by the purchaser), none of the requirements for the issuance of additional Series of Bonds may be waived without the consent of the Owners of a majority in aggregate principal amount of the Bonds, additional Series of Bonds and Parity Indebtedness then Outstanding.

The proceeds of additional Series of Bonds will be applied as set forth in the Supplemental Indenture authorizing their issuance.

Parity Indebtedness

The City may incur or refinance Parity Indebtedness provided the documents providing for the Parity Indebtedness specify the amounts and due dates of the Parity Debt Service of the Parity Indebtedness and the principal and interest components of the Parity Debt Service and the requirements of the Master Indenture, as appropriate, have been met as if the Parity Indebtedness was an additional Series of Bonds.

Parity Indebtedness may include Bond Anticipation Notes, Hedge Agreements or obligations with respect to Credit Facilities.

The City agrees that it will fulfill its obligations under all contracts or agreements creating Parity Indebtedness as they may exist from time to time.

Subordinate Debt

Nothing in the Master Indenture will prohibit or prevent the City from authorizing and issuing Subordinate Debt for any lawful purpose payable from Net Revenues subject and subordinate to the payment of any Bonds and Parity Indebtedness and to the deposits required to be made from Net Revenues to the Operating Fund, the Bond Fund, the Parity Debt Service Fund, the Debt Service Reserve Fund, the MacArthur Center Garage Reserve Fund, the Repair and Replacement Reserve Fund, the Surety Bond Interest Fund or any other fund or account established to secure any Bonds, additional Series of Bonds or Parity Indebtedness, or from securing any Subordinate Debt and its payment by a lien and pledge of Net Revenues junior and inferior to the lien on and pledge of Net Revenues for the payment and security of Bonds and parity Indebtedness; provided, however, that such Subordinate Debt may not be accelerated or otherwise declared immediately due and payable upon the occurrence of a default under it.

Establishment of Funds and Accounts

The following funds are established under the Indenture, to be held as follows:

- (1) City of Norfolk, Virginia, Project Fund, in which there will be established a Series Project Account for each Series of Bonds, to be held by or at the direction of the Trustee;
- (2) City of Norfolk, Virginia, Revenue Fund, to be held by or at the direction of the City;
- (3) City of Norfolk, Virginia, Operating Fund, to be held by or at the direction of the City;
- (4) City of Norfolk, Virginia, Bond Fund, in which there is established an Interest Account, a Principal Account, a Redemption Account, a Capitalized Interest Account, and a separate subaccount in each such Account with respect to each Series of Bonds issued hereunder, to be held by the Trustee;
- (5) City of Norfolk, Virginia, Parity Debt Service Fund, to be held by or at the direction of the City;
- (6) City of Norfolk, Virginia, Debt Service Reserve Fund, in which there will be established a Series Reserve Account for each Series of Bonds that has a Series Reserve Requirement, to be held by the Trustee;
- (7) City of Norfolk, Virginia, MacArthur Center Garage Reserve Fund, to be held by the Trustee;
- (8) City of Norfolk, Virginia, Repair and Replacement Reserve Fund, to be held by the Trustee;
- (9) City of Norfolk, Virginia, Surety Bond Interest Fund, to be held by the Trustee;
- (10) City of Norfolk, Virginia, Subordinate Debt Service Fund, to be held by or at the direction of the City;
- (11) City of Norfolk, Virginia, Rate Stabilization Fund, to be held by or at the direction of the City; and
- (12) City of Norfolk, Virginia, General Reserve Fund, to be held by or at the direction of the City.

Project Fund

The City will deposit in the Project Fund (i) the portion of the proceeds of any Series of Bonds specified in the Supplemental Indenture authorizing their issuance to be used as set forth in the Master Indenture and (ii) any Net Proceeds to be used to repair, reconstruct or restore any portion of the Facilities. The City will maintain within the Project Fund a separate Series Project Account for each separate Series of Bonds and a special account for any Net Proceeds and such other special accounts as may be provided for in any Supplemental Indenture. Deposits will be made to the credit of the Series Project Accounts and any special accounts as may be provided in the Supplemental Indentures.

The City will use money in each Series Project Account or other special account of the Project Fund to (i) pay Costs of the Project or Costs with respect to the Series of Bonds for which the account was created and (ii) reimburse the City for such costs previously paid by the City with respect to such Project or Series of Bonds. Interest accruing on and any profit realized from the investment of money in the Project Fund will be retained in the Project Fund as part of the account in which the investment is held.

Unless otherwise provided in any Supplemental Indenture, upon the completion or abandonment of any Project and upon the Trustee's receipt of a certificate signed by any Authorized City Representative, stating the date of completion or abandonment and detailing items of the Costs of the Project, if any, which have not been paid for

the payment of which money should be reserved in the Series Project Account or other Project Fund account created for such Project, the balance of any money remaining in such account in excess of the amount to be reserved for payment of unpaid items of the Cost of the Project will, at the option of the City, be applied by the City as follows:

(i) Transferred to any other account or accounts in the Project Fund, to the extent money is needed to pay Costs of any other Project; provided that, before any such transfer, the City will cause to be delivered to the Trustee an opinion of Bond Counsel to the effect that the transfer will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on any Bonds on which interest was excludable from gross income on the date of their issuance;

(ii) Deposited in the Bond Fund and used in such manner as will not in the opinion of Bond Counsel adversely affect the exclusion from gross income for federal income tax purposes of interest on any Bonds the interest on which was excludable from gross income on the date of their issuance; or

(iii) In the case of any Net Proceeds, any balance remaining after payment of the cost of repair, reconstruction or restoration will be deposited in the Repair and Replacement Reserve Fund.

Any excess money will either be used before the expiration of the applicable temporary period under Section 148 of the Code during which it may be invested at an unrestricted yield or will be invested in order to comply with any limitations imposed by the Code.

Revenue Fund

The City will collect and deposit in the Revenue Fund as received all Revenues derived from the ownership or operation of the Facilities, except as otherwise provided for in the Master Indenture for investment income on certain funds and accounts created by the Master Indenture. The City will also collect and deposit in the Revenue Fund as received all Hedge Receipts. Not later than the tenth Business Day before the end of each month, the City will make transfers from the Revenue Fund in the following order of priority:

(1) To the Operating Fund, an amount such that the balance on deposit in the Operating Fund will be equal to not less than one-sixth of the Operating Expenses budgeted to be paid from the Fund in the then current Fiscal Year as set forth in the Annual Budget;

(2) To the Bond Fund an amount not less than that which is necessary to make the following deposits:

(a) first, to each subaccount in the Interest Account an approximately equal amount each month during each Interest Period for the respective Series of Bonds such that (after taking into consideration with respect to such Series of Bonds the amount then on deposit in such subaccount, any amount to be transferred from the respective subaccount of the Capitalized Interest Account to such subaccount pursuant to the terms of any Supplemental Indenture and any amount to be drawn or paid under any Credit Facility or Hedge Agreement for deposit to such subaccount), on the fifth Business Day immediately preceding the next Interest Payment Date for the Series of Bonds, there will be on deposit in such subaccount an amount equal to the interest on the Outstanding Bonds of the Series to become due on such Interest Payment Date; provided, however, if on the last Business Day of any month, the required deposit to any subaccount in the Interest Account for that month is not made with respect to the respective Series of Bonds, the requirement will be cumulative and will be added to the deposit required in each succeeding month until the deposit is made; and

(b) then, to each subaccount in the Principal Account an approximately equal amount each month during the Principal Period for each respective Series of Bonds such that (after taking into consideration with respect to such Series of Bonds the amount then on deposit in such subaccount and any amount to be drawn or paid under any Credit Facility or Hedge Agreement for deposit to such subaccount), on the fifth Business Day immediately preceding the next Principal Payment Date for the Series of Bonds, there will be on deposit in such subaccount an amount equal to the principal and Accreted Value of the Outstanding Bonds of the Series maturing or required to be redeemed on such Principal Payment Date; provided, however, if on the last Business Day of any

month, the required deposit to such subaccount is not made with respect to any Series of Bonds, the requirement will be cumulative and will be added to the deposit required in each succeeding month until the deposit is made;

(3) To the Parity Debt Service Fund, an amount with respect to any Parity Indebtedness such that (after taking into consideration the amount then on deposit in the Fund and any amount to be drawn or paid under any Credit Facility or Hedge Agreement for deposit to the Fund) if the same amount is transferred to the Fund each month preceding the next ensuing Interest Payment Date or Principal Payment Date for the Parity Indebtedness, there will be on deposit in the Fund an amount equal to the payment due on the Parity Indebtedness on such payment date;

(4) To the Debt Service Reserve Fund, if the amount in any Series Reserve Account is less than its Series Requirement, any amount of money remaining in the Revenue Fund, or all of the money remaining if less than the amount necessary, until there is on deposit in each Series Reserve Account an amount equal to its Series Reserve Requirement;

(5) For so long as such a deposit may be required pursuant to the Parking Agreement and if the amount in the MacArthur Center Garage Reserve Fund is less than the MacArthur Center Garage Reserve Requirement, to the MacArthur Center Garage Reserve Fund, one-twelfth of the amount, if any, by which the Revenues derived from the operations of the MacArthur Center Garages for the then current Fiscal Year are projected to exceed the Operating Expenses and Debt Service Requirements on all Bonds, Parity Indebtedness and Subordinate Debt attributable to the MacArthur Center Garages for such Fiscal Year as determined by an Authorized City Representative in accordance with the Annual Budget and the Parking Agreement;

(6) To the Repair and Replacement Reserve Fund, the amount necessary to make the following deposits:

(a) Until the balance in the Repair and Replacement Reserve Fund has reached the initial Replacement Reserve Requirement, an amount sufficient to accumulate the initial Replacement Reserve Requirement in the Repair and Replacement Reserve Fund in not more than thirty-six approximately equal monthly installments as determined by the City commencing with the month following the date the initial Series of Bonds under the Master Indenture are issued;

(b) If the Replacement Reserve Requirement is increased pursuant to the Master Indenture, an amount sufficient to accumulate the increase in the Replacement Reserve Requirement in the Repair and Replacement Reserve Fund in not more than sixty approximately equal monthly installments as determined by the City commencing the month following the date of the filing of the notice of the increase with the Trustee;

(c) If for any reason money has been paid out of the Repair and Replacement Reserve Fund or for any other reason not described in this paragraph (6), an amount equal to the Replacement Reserve Requirement is not on deposit in the Repair and Replacement Reserve Fund, an amount sufficient to accumulate the Replacement Reserve Requirement in the Repair and Replacement Reserve Fund in not more than sixty approximately equal monthly installments as determined by the City commencing the month following the date money was paid out of the Repair and Replacement Reserve Fund;

(7) To the Surety Bond Interest Fund, such amount as may be necessary to pay interest on the amount of any drawing on a letter of credit, bond insurance policy or surety bond deposited with the Trustee as provided in the Master Indenture to satisfy all or part of a Series Reserve Requirement established for a Series Reserve Account;

(8) To the Subordinate Debt Service Fund, such amount with respect to any Subordinate Debt as may be determined by the City to be necessary to provide for the payment when due of the principal of and interest on the Subordinate Debt;

(9) To the Repair and Replacement Reserve Fund, such other amounts as may be determined by the City;

(10) To the Rate Stabilization Fund, the amount necessary to make the following deposits:

(a) An amount sufficient to accumulate the Rate Stabilization Requirement in the Rate Stabilization Fund in not more than twenty-four approximately equal monthly payments as determined by the City commencing the month following the establishment of such requirement;

(b) If the Rate Stabilization Requirement is increased pursuant to the Master Indenture, an amount sufficient to accumulate the Rate Stabilization Requirement in the Rate Stabilization Fund in not more than twenty-four approximately equal monthly installments as determined by the City commencing the month following the date of the certification of the Director of Finance establishing the increase; and

(c) If money has been paid out of the Rate Stabilization Fund, and an amount equal to the Rate Stabilization Requirement is not on deposit in the Rate Stabilization Fund, an amount sufficient to accumulate the Rate Stabilization Requirement in the Rate Stabilization Fund in not more than twenty-four approximately equal monthly installments as determined by the City; and

(11) To the General Reserve Fund, any balance remaining in the Revenue Fund.

If there are insufficient funds in the Revenue Fund to make the transfers required by paragraphs (2) and (3) of this Section in full, the City will allocate the available funds between the Bond Fund and the Parity Debt Service Fund in the proportion that the amount required to be deposited to each Fund bears to the total amount required to be deposited to both Funds. If there are insufficient funds in the Revenue Fund to make the transfer required by paragraph (7) of this Section in full, the Trustee will allocate the available funds prorata based on the amount of interest due with respect to each letter of credit, bond insurance policy or surety bond described in paragraph (7).

Operating Fund

The City will pay Operating Expenses from the Operating Fund as they become due and in accordance with the purposes and amounts provided in the Annual Budget. If the balance in the Operating Fund is insufficient for its purposes, the City will transfer to the Operating Fund such amounts as may be necessary first from the General Reserve Fund and then from the Repair and Replacement Reserve Fund. Interest received on and any profit realized from the investment of money in the Operating Fund will be retained therein.

Bond Fund

The Trustee will pay from the Principal Account the principal and Accreted Value of the Bonds when due whether at maturity or upon redemption pursuant to any scheduled mandatory redemption requirement for any Term Bonds. The Trustee will pay from the Interest Account the interest on the Bonds when due. The Trustee will use money in the Redemption Account to redeem Bonds pursuant to any redemption provision (other than scheduled mandatory redemption of Term Bonds) or, if directed by an Authorized City Representative, to purchase Bonds on the open market; provided, however, (i) no money will be used to purchase Bonds to the extent it is required to pay the redemption price of any Bonds for which notice of redemption has been given and (ii) Bonds will not be purchased at a price in excess of the applicable optional redemption price plus accrued interest. The Trustee will pay from the respective subaccount in the Capitalized Interest Account interest on the Series of Bonds for which such account has been funded as directed in the Supplemental Indenture for such Series of Bonds.

The City will receive a credit against payments required to be made with respect to any Series of Bonds on any mandatory redemption date in an amount equal to the principal amount of any Bonds of such Series subject to mandatory redemption on such date that have been redeemed (other than by mandatory redemption) before such mandatory redemption date or that have been purchased by the City or the Trustee on behalf of the City and delivered to the Trustee for cancellation at least seventy days before such mandatory redemption date, provided the Bonds have not previously been applied as a credit against any mandatory redemption payment. The credit will be applied in inverse order against payments required to be made on mandatory redemption dates, unless otherwise directed by the City.

Not later than the fifth Business Day immediately preceding a Principal Payment Date or Interest Payment Date for a Series of Bonds, the Trustee will determine if the respective balances on deposit in each subaccount in the Principal Account, the Interest Account and the Redemption Account will be sufficient (after taking into consideration with respect to each Series of Bonds any amount to be transferred from the Capitalized Interest Account pursuant to the terms of any Supplemental Indenture) to pay the principal, Accreted Value and interest due and payable on the Principal or Interest Payment Date, and if a deficiency exists, will promptly notify the City of such fact. If on any Principal Payment Date or Interest Payment Date, the balance on deposit in any subaccount in the Principal Account or the Interest Account is insufficient to pay the principal, Accreted Value and interest due and payable on Outstanding Bonds of the respective series, the Trustee will transfer to such subaccount the amount of the deficiency, from the respective Series Reserve Account in the Debt Service Reserve Fund, if any, but only to the extent amounts paid by the City from the General Reserve Fund and the Repair and Replacement Reserve Fund are insufficient for that purpose.

Interest received on and any profit realized from the investment of money in the Bond Fund (except the Capitalized Interest Account) will become a part of the account and subaccount in which the investment is held. Unless otherwise provided in a Supplemental Indenture with respect to a Series of Bonds, interest received on and any profit realized from the investment of money in a subaccount of the Capitalized Interest Account will be transferred when received to the appropriate Series Project Account in the Project Fund.

Parity Debt Service Fund

The City will use money in the Parity Debt Service Fund to make payments on any Parity Indebtedness when due. Interest received on and any profit realized from the investment of money in the Parity Debt Service Fund will be deposited when received in the Revenue Fund.

Debt Service Reserve Fund

If amounts on deposit in the Bond Fund are insufficient to make payments of principal of or interest on the Bonds when due, and any amounts transferred by the City from the General Reserve Fund and the Repair and Replacement Reserve Fund are insufficient to cure the deficit, the Trustee will transfer money from the Series Reserve Accounts to the respective subaccounts in the Bond Fund to the extent necessary to pay when due principal of and interest on the Series of Bonds secured by such Series Reserve Accounts. Amounts in each Series Reserve Account are pledged only to the Series of Bonds with respect to which it was established and will not be used to pay the debt service on any other Series of Bonds or Parity Indebtedness. If the amount on deposit in any Series Reserve Account is less than its Series Reserve Requirement, the City will transfer funds from the Revenue Fund to the Debt Service Reserve Fund for deposit in the Series Reserve Account. The City will notify the Trustee in writing any time there is a change in a Series Requirement.

Within five days after each Principal Payment Date and Interest Payment Date for each Series of Bonds secured by a Series Reserve Account and at such other times as an Authorized City Representative may request, the Trustee will determine if the balance on deposit in each Series Reserve Account is at least equal to its Series Reserve Requirement. In making such determination, securities in which money in each Series Reserve Account are invested will be valued in the manner set forth in the applicable Supplemental Indenture. If a deficiency exists in any Series Reserve Account in the Debt Service Reserve Fund, the Trustee will immediately notify the City thereof. If the amount on deposit in any Series Reserve Account exceeds its Series Requirement, the Trustee will transfer the excess to the applicable subaccount of the Interest Account of the Bond Fund within five Business Days after such determination, unless otherwise specified by an Authorized City Representative (provided the City satisfies the same requirements with respect to such transfer as or set forth in the last paragraph of this Section for transfers of funds from a Series Reserve Account after the deposit therein of a Letter of Credit, Bond Insurance Policy or Surety Bond) or in any Supplemental Indenture.

If the balance on deposit in a Series Reserve Account equals or exceeds its Series Reserve Requirement based on the most recent valuation made by the Trustee, interest received on and any profit realized from the

investment of money therein will, unless otherwise provided in any Supplemental Indenture, transferred not less frequently than semiannually to the applicable subaccount of the Interest Account of the Bond Fund.

In lieu of maintaining and depositing money or securities in a Series Reserve Account, the City may deposit with the Trustee a letter of credit, bond insurance policy or surety bond in an amount equal to all or a portion of the Series Reserve Requirement; provided that the issuer of the letter of credit, bond insurance policy or surety bond, as appropriate, is rated in one of the two highest long term debt rating categories by each of the Rating Agencies then rating the applicable Series of Bonds. Any letter of credit, bond insurance policy or surety bond will permit the Trustee to draw or obtain amounts under it for deposit in the Series Reserve Account that, together with any money already on deposit in the Series Reserve Account, are not less than its Series Reserve Requirement.

The Trustee will make a drawing on the letter of credit or obtain funds under the bond insurance policy or surety bond before its expiration or termination (i) whenever money is required for the purposes for which Series Reserve Account money may be applied and (ii) unless such letter of credit, bond insurance policy or surety bond has been extended or a qualified replacement for it delivered to the Trustee, in the event the City has not deposited money in immediately available funds equal to the respective Series Reserve Requirement at least two Business Days preceding the expiration or termination of the letter of credit or bond insurance policy.

If the City provides the Trustee with a letter of credit, bond insurance policy or surety bond as provided in this subsection, the Trustee will transfer the corresponding amount of funds then on deposit in the Series Reserve Account to the City, provided (i) the City delivers to the Trustee an opinion of Bond Counsel that such transfer of funds will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on any Bonds the interest on which was excludable on the date of their issuance and (ii) the City covenants to comply with any directions or restrictions contained in such opinion concerning the use of such funds.

MacArthur Center Garage Reserve Fund

For so long as the Parking Agreement requires the maintenance of the MacArthur Center Garage Reserve Fund, the Trustee may disburse amounts from such Fund at the written direction of an Authorized City Representative only to pay reasonable and necessary expenses for major repairs, replacements or maintenance items of a type not recurring annually with respect to the MacArthur Center Garages or such other expenses as may be permitted pursuant to the Parking Agreement. If the MacArthur Center Garage Reserve Fund is no longer required pursuant to the Parking Agreement, then the Trustee will transfer the amounts therein to the Repair and Replacement Reserve Fund.

(a) Interest and investment earnings on money in the MacArthur Center Garage Reserve Fund will be retained therein.

(b) The Trustee is authorized and directed to deposit into the MacArthur Center Garage Reserve Fund any amounts it may receive for such purpose pursuant to the Development Contract or the Parking Agreement.

Repair and Replacement Reserve Fund

The Trustee will disburse amounts in the Repair and Replacement Reserve Fund at the written direction of an Authorized City Representative for any of the following purposes:

- (1) Reasonable and necessary expenses with respect to the Facilities for major repairs, replacements or maintenance of items of a type not recurring annually;
- (2) To pay costs of reconstruction of parts of the Facilities;
- (3) To pay costs of construction of additions to, or extensions of, the Facilities;
- (4) To pay any capital costs with respect to the Facilities;

(5) To make deposits to the Revenue Fund, the Operating Fund, the Bond Fund, the Parity Debt Service Fund or the Debt Service Reserve Fund.

At least biennially, the City agrees to review the adequacy of the amount of the Replacement Reserve Requirement under then current operating conditions, and in light of then applicable operating, replacement and maintenance costs of the major components of comparable systems. If at any time the City determines in its judgment that the amount of the Replacement Reserve Requirement should be increased or decreased, it will notify the Trustee of such determination setting forth the amount of the new Replacement Reserve Requirement provided, however, in no event so long as the Parking Agreement so requires will the Replacement Reserve Requirement be reduced to below \$250,000, as adjusted biennially in accordance with any year increase in the CPI-U (as defined below) indexed to 1996 dollars. The new Replacement Reserve Requirement will take effect on the date of the notice to the Trustee unless some other effective date is specified in the notice in which case the date specified in the notice will control. As used herein, the "CPI-U" is the United States Department of Labor, Bureau of Labor Statistics Consumer Price Index for All Urban Consumers, U.S. City Average, All Items (1982-84=100). If at any time the CPI-U is discontinued, then the City will substitute an existing official index published by the Bureau of Labor Statistics or its successor or another similar index most nearly equivalent to the CPI-U.

If the amount on deposit in the Repair and Replacement Reserve Fund exceeds the Replacement Reserve Requirement, the City may retain the excess in the Repair and Replacement Reserve Fund or transfer it to the Rate Stabilization Fund or the General Reserve Fund.

Unless otherwise provided above in a Supplemental Indenture, interest earned on and any profit realized from the investment of money in the Repair and Replacement Reserve Fund will be retained therein.

Surety Bond Interest Fund

The Trustee will use money in the Surety Bond Interest Fund to make payments of interest on the amount of any drawing on a letter of credit, bond insurance policy or surety bond deposited with the Trustee as provided in the Master Indenture to satisfy all or part of a Series Reserve Requirement established for a Series Reserve Account. Interest received on and any profit realized from the investment of money in the Surety Bond Interest Fund will be deposited as received in the Revenue Fund.

Rate Stabilization Fund

The City may at its option make transfers from the Rate Stabilization Fund to the Revenue Fund and amounts so transferred will be deemed Revenues. The City will transfer funds from the Revenue Fund to the Rate Stabilization Fund, to the extent and in the manner provided in the Master Indenture. The Trustee is also authorized to accept from or on behalf of the City and deposit in the Rate Stabilization Fund any funds that do not constitute Revenues and to apply such funds in accordance with this Section. Unless otherwise provided in a Supplemental Indenture, money in the Rate Stabilization Fund is not pledged to secure any Indebtedness.

Unless otherwise provided in a Supplemental Indenture, interest earned on and any profit realized from the investment of money in the Rate Stabilization Fund will be transferred not less frequently than monthly for deposit in the Revenue Fund.

Subject to the provisions of any Supplemental Indenture, the City may at any time reduce or increase the balance in the Rate Stabilization Fund to any amount including zero upon certification of the Director of Finance setting forth the amount to be withdrawn or added. Upon satisfaction of the requirements set forth above, the amount of any reduction in the Rate Stabilization Fund will be transferred from the Rate Stabilization Fund for deposit in the Revenue Fund, unless otherwise specified in a Supplemental Indenture.

General Reserve Fund

Money will be deposited by the City in the General Reserve Fund as provided in the Master Indenture. Money on deposit in the General Reserve Fund is not pledged to secure the Bonds or Parity Indebtedness and may be used by the City for any lawful purpose, including, without limitation, to pay City Obligations and Existing Debt Service or for deposit to any fund or account created under the Master Indenture or any Supplemental Indenture. The City agrees to use available money on deposit in the General Reserve Fund to cure any deficit which may exist in the Operating Fund, the Bond Fund, the Parity Debt Service Fund or the Debt Service Reserve Fund.

Investments

Any money held in any funds and accounts established by the Indenture, except the Bond Fund and the Debt Service Reserve Fund, may be separately invested and reinvested by the Trustee, at the request of and as directed by an Authorized City Representative, or by the City, as the case may be, in any of the following investments which are at the time legal investments for public funds under the Investment of Public Funds Act, Chapter 45, Title 2.2, Code of Virginia of 1950, as amended ("Investment Act"), or any subsequent provision of law applicable to such investments:

(1) Bonds, notes and other evidences of indebtedness to which the full faith and credit of the Commonwealth is pledged for the payment of principal and interest or which are unconditionally guaranteed as to the payment of principal and interest by the Commonwealth and which are rated on one of the two highest debt rating categories by at least one of the Rating Agencies;

(2) Government Obligations;

(3) Government Certificates;

(4) Bonds, notes and other evidences of indebtedness of any county, city, town, district, authority or other public body of the Commonwealth which are rated in one of the two highest long-term debt rating categories by at least one of the Rating Agencies;

(5) Savings accounts, time deposits and certificates of deposit in any bank, including the Trustee and its affiliates, or savings and loan association within the Commonwealth, provided that the funds are secured in the manner required by the Virginia Security for Public Deposits Act or any successor legislation and no deposit will be made for more than five years;

(6) Obligations of the Export-Import Bank, the Farmers Home Administration, the General Services Administration, the United States Maritime Administration, the Small Business Administration, the Government National Mortgage Association, the Department of Housing and Urban Development and the Federal Housing Administration, provided such obligations represent the full faith and credit of the United States;

(7) Bonds, notes or other evidences of indebtedness of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Home Loan Bank and the Federal Farm Credit Bank;

(8) Commercial paper issued by corporations, including banks and bank holding companies, organized under the laws of the United States or any State which is rated by Moody's Investors Service, Inc., or its successor, within its NCO/Moody's rating of prime 1 and by Standard & Poor's Corporation, or its successor, within its rating of A-1, and which matures not more than 270 days after the date of its purchase;

(9) Corporate notes with a rating of at least Aa by Moody's and AA by Standard & Poor's Corporation with a maturity of not more than five years;

(10) Banker's acceptance, as permitted by the Investment Act, with banks noted in one of the two highest debt rating categories by at least one of the Rating Agencies;

(11) Investments pursuant to the Government Non-Arbitrage Act, Article 7.1, Chapter 14, Title 2.1 of the Virginia Code; and

(12) Such other investments as may be permitted by the Investment Act; provided they are rated within one of the two highest rating categories by at least one of the Rating Agencies.

Any money held by the Trustee in the Bond Fund will be separately invested and reinvested by the Trustee, at the request of and as directed by an Authorized City Representative, only in investments described in subsections (1), (2), (3), (4) and (5) above, which are at the time legal investments for public sinking funds under the Investment Act, or any subsequent provisions of law applicable to such investments.

Any money held by the Trustee in the Debt Service Reserve Fund will be separately invested and reinvested by the Trustee, at the request of and as directed by an Authorized City Representative, only in investments described in subsections (1), (2), (3), (4), (5), (6) and (7) above.

Any investments described above may be purchased by the Trustee or the City pursuant to an overnight term or open repurchase agreement in accordance with the provisions of the Master Indenture.

Investments in a money market fund or in the shares of any other management type investment company registered under the Investment Company Act of 1940, the investments of which fund or company are exclusively in obligations or securities described in subsections (1), (2), (3), (4), (6) or (7) above, will be considered investments in obligations described in such subsections.

Subject to the provisions of any Supplemental Indenture, all investments will be held by or under the control of the Trustee or the City, as the case may be, and while so held will be deemed a part of the fund or account in which the money was originally held. Except as otherwise specifically provided in the Master Indenture or any Supplemental Indenture, the interest received on and any profit realized from such investments will be transferred not less frequently than monthly to the City for deposit in the Revenue Fund. The Trustee and the City will sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient for its purpose.

Investments of money in the Debt Service Reserve Fund must mature or be payable at the option of the Trustee for purposes of the Debt Service Reserve Fund not more than ten years after the date of their purchase.

Money in funds and accounts held by the City or the Trustee may be pooled and commingled for purposes of investment.

In computing the amount in any fund created by the Master Indenture except the Debt Service Reserve Fund, obligations purchased as an investment of money will be valued not less frequently than annually at their cost or market value, whichever is lower, plus any accrued interest.

All securities and other investments in or credited to a Series Reserve Account of the Debt Service Reserve Fund will be valued as provided in the Supplemental Indenture or Indentures pursuant to which such account is established or maintained.

All money held in the funds created by this Indenture which are on deposit with any bank will be continuously secured in the manner required by the Virginia Security for Public Deposits Act or any successor provision of law.

The Trustee may make investments permitted by the Master Indenture through its own bond department or commercial banking department or those of its affiliates.

Particular Covenants

Compliance with Indenture; Payment of Bonds. In the Master Indenture, the City covenants to perform its obligations under the Master Indenture and related documents and to pay the Bonds, but only from the Net Revenues and other funds specifically pledged for such purpose.

Annual Budget. Before the beginning of each Fiscal year, the City will adopt a budget for the Facilities for the ensuing Fiscal Year which will be referred to as the Annual Budget.

Revenue Covenant. The City will establish, fix, charge and collect rates, fees and other charges for the use of and for the services furnished by the Facilities, and will, from time to time and as often as appears necessary, revise such rates, fees and other charges, so that in each Fiscal Year Net Revenues are not less than the greater of (i) the sum of 1.25 times Senior Debt Service and 1.0 times Subordinated Debt Service for the Fiscal Year and (ii) 1.0 times the funding requirements for transfers from the Revenue Fund to the Bond Fund, the Parity Debt Service Fund, the Debt Service Reserve Fund, the MacArthur Center Garage Reserve Fund and the Repair and Replacement Reserve Fund, the Surety Bond Interest Fund and the Subordinate Debt Service Fund as set forth in the Master Indenture.

Billing; Enforcement of Charges; Free Service. The City will bill the users of the services of the Facilities in accordance with established procedures. The City has agreed to take all appropriate steps to enforce collection of any overdue charges by any remedy available at law or in equity. The City will not permit the use of the Facilities, or furnish any services of the Facilities, without making a charge based on the City's established rates, fees and charges.

Consulting Engineer's Report. If as of the end of any Fiscal Year the City is not in compliance with the Revenue Covenant, or if the City fails for three consecutive months to make the full deposits to the Interest Account and the Principal Account of the Bond Fund which are required by the Master Indenture, the City will immediately request the Consulting Engineer to submit a written report and recommendations with respect to increases in the City's rates, fees and charges and improvements in the operations of and the services rendered by the Facilities and the City's accounting and billing procedures necessary to bring the City into compliance with the Revenue Covenant. The report and recommendations will be filed with the Trustee and the City within 120 days from the date of discovery of noncompliance with the Revenue Covenant. Subject to its right to implement other procedures as set forth below, the City agrees that it will promptly revise its rates, fees, charges, operations and services in conformity with the report and recommendations of the Consulting Engineer to the extent permitted by law.

If money is required to be transferred from the Debt Service Reserve Fund to the Bond Fund because amounts on deposit in the Bond Fund are insufficient to make payments of principal of or interest on the Bonds when due and the amount so transferred is not replenished to the Debt Service Reserve Fund from any available source within thirty days of the date of the transfer, the City will immediately request the Consulting Engineer to submit a written report and recommendations with respect to increases in the City's rates, fees and charges and improvements in the operations of and the services rendered by the Facilities and the City's accounting and billing procedures necessary to bring the City into compliance with the Master Indenture. Subject to its right to implement other procedures as set forth below, the City agrees to deliver a copy of the report of the Consulting Engineer to the Trustee and to implement its recommendations within 180 days after the date of the transfer from the Debt Service Reserve Fund.

If the City promptly revises its rates, fees, charges, operations and services in conformity with the report and recommendations of the Consulting Engineer and otherwise follows such recommendations to the extent permitted by law so that the City will when its actions become fully effective be in compliance with the Revenue Covenant, then any failure to meet the Revenue Covenant will not constitute an Event of Default under this Indenture so long as no other Event of Default has occurred and is continuing.

Sale or Encumbrance. The City may grant easements, licenses or permits across, over and under parts of the Facilities for streets, roads and utilities so long as they will not adversely affect the use of the Facilities. The

City may sell or otherwise dispose of any property constituting a part of the Facilities which is in the City's reasonable determination no longer needed or useful or which will be replaced from the proceeds of the disposition and any other necessary money with property serving the same or similar function. In addition, the City may from time to time permanently abandon the use of, sell, trade, transfer, or lease any property forming a part of the Facilities, but only if there shall be filed with the City Clerk of the City prior to such abandonment, sale, transfer, or lease a certificate, signed by the City Manager, stating: (i) that the City is not then in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Indenture; and (ii) that the Net Revenues for the most recent complete Fiscal Year, after giving effect to such abandonment, sale, transfer or lease and any replacement and after adjustment to reflect the Revenues which would have been received if the rate schedule in effect on the date of such certificate had been in effect throughout such Fiscal Year, would have sufficient to satisfy the Revenue Covenant or, if the City was not in compliance with the revenue covenant for the most recent complete Fiscal Year, that the degree of noncompliance would have been reduced; provided, however, that the above-described certificate shall not be required for the abandonment, sale, transfer or lease of the Monticello Lot as identified in the Parking Market and Financial Analysis dated September 17, 2004 prepared by Walker Parking Consultants. Amounts received from such sale, transfer or lease shall not be considered Revenues.

Notwithstanding anything in the Master Indenture to the contrary, the City may transfer all or substantially all of the Facilities together with all funds and accounts held hereunder to an authority or other special purpose political subdivision created to own and operate the Facilities provided such authority or political subdivision assumes the performance of all of the City's obligations under, and agrees to be bound by, all of the terms and conditions of the Master Indenture, the Bonds and any Parity Indebtedness and there is delivered to the Trustee (i) a copy of the instrument by which the authority or political subdivision assumes the obligations of and agrees to be bound by, the Master Indenture, the Bonds and any Parity Indebtedness; (ii) an Opinion of Counsel stating that the assumption of the obligations of the City under the Master Indenture, the Bonds and any Parity Indebtedness is, subject to customary qualifications, a legal, valid, binding and enforceable obligation of the authority or political subdivision acquiring the Facilities; and (iii) an Opinion of Bond Counsel stating that, subject to customary qualifications, the transfer of the Facilities to the authority or political subdivision and the assumption of the City's obligations under the Master Indenture, the Bonds and any Parity Indebtedness will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on any Outstanding Bonds the interest on which was excludable from gross income on the date of their issuance. Upon compliance with the conditions set forth above, the City will be released from its obligations under the Master Indenture, the Bonds and any Parity Indebtedness.

Creation of Liens. The City has agreed not to create or suffer to be created any lien or charge upon the Facilities, except as provided in the Master Indenture. However, notwithstanding anything in the Master Indenture to the contrary, the City may acquire items of personal property constituting part of the Facilities under lease purchase agreements or similar financing arrangements entered into in the ordinary course of business which may be subject to purchase money security interests or other liens in an aggregate amount not to exceed \$5,000,000.

Insurance. To the extent such insurance is available at reasonable costs, the City has agreed to continuously maintain purchased insurance policies or self-insurance plans for the Facilities and pay the premiums on insurance against such risks as are customarily insured against by other entities owning and operating similar facilities.

Damage, Destruction, Condemnation and Loss of Title. In case of any damage to or destruction of any part of the Facilities that will have a material adverse effect on the revenue production capacity of the Facilities or in case of a taking of all or any part of the Facilities or any right in it under the exercise of the power of eminent domain or any loss of it because of failure of title or the commencement of any proceedings or negotiations which may result in such a taking or loss, the City will give prompt notice to the Trustee describing generally the nature and extent of the damage, destruction, taking, loss, proceedings or negotiations. Except as provided in the Parking Agreement, if all or any part of the Facilities is destroyed or damaged by fire or other casualty, condemned or lost by failure of title, the City will from Net Proceeds restore promptly the property damaged or destroyed to substantially the same condition as before the damage, destruction, condemnation or loss of title with such alterations and additions as the City may determine and which will not impair the capacity or character of the Facilities for the purpose for which it then is being used or is intended to be used. The Trustee will deposit Net Proceeds to the

Project Fund and will apply as much as may be necessary of the Net Proceeds to payment of the cost of the restoration, either on completion or as the work progresses. If the Net Proceeds are not sufficient to pay in full the cost of the restoration, the City will pay from the Repair and Replacement Reserve Fund or the General Reserve Fund so much of the cost as may be in excess of such Net Proceeds. The City will be under no obligation to restore property if in the City's reasonable determination it is no longer needed or useful in the operation of the Facilities. Any balance of Net Proceeds remaining after payment of the cost of restoration will be deposited in the Repair and Replacement Reserve Fund.

Financial Records and Statements. The City will keep proper books of records and accounts, in which full and correct entries will be made in accordance with generally accepted accounting principles, of all of its business and affairs. The City will cause an audit of its records and accounts to be made by an independent certified public accountant at the end of each Fiscal Year.

Arbitrage and Tax Covenants. The City will not take any action, or direct the Trustee to make any investment or use of the proceeds of any Bonds, which would cause any Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code. The City will not engage in any activities or take any action which will result in the income of the City becoming taxable by any governmental entity or in the interest on the Bonds of any Series becoming includable in gross income of the recipients for purposes of federal income taxation if an opinion of Bond Counsel to the effect that the interest on any such Series was excludable from gross income was delivered pursuant to the Master Indenture.

Compliance with Laws; Secondary Market Disclosure. The City will at all times comply with all laws of the United States of America and of the Commonwealth applicable to it, particularly the provisions of the Act.

The City will at all times while any Bonds are outstanding comply with the ongoing disclosure requirements of Rule 15c2-12(b)(5) (including all amendments or successor provisions thereto) promulgated by the Securities Exchange Commission, to the extent applicable to any such Bonds, requiring disclosure of annual financial information and notification of the occurrence of material events with respect to the City and any other obligated persons with respect to the Bonds.

Operation and Maintenance. The City will (i) establish, maintain and enforce or cause to be established, maintained and enforced reasonable rules and regulations governing the use of and the services furnished by the Facilities, (ii) operate or cause to be operated the Facilities in an efficient and economical manner pursuant to the Annual Budget, (iii) maintain or cause to be maintained the portions of the Facilities reasonably necessary for their efficient operation in good repair and sound operating condition, and (iv) make or cause to be made all reasonably necessary repairs, replacements and renewals to the Facilities. The City will at all times operate or cause to be operated the Facilities in accordance with generally accepted business practices. The City will comply or cause to be complied with all valid acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body applicable to the Facilities.

Addition of Other Parking Facilities to the Facilities. The City may at any time add as part of the Facilities any parking facility provided there is delivered to the Trustee (1) a Supplemental Indenture pledging under the terms of the Master Indenture the net revenues of the parking facility to be added as part of the Facilities as security for the payment of the Bonds and any Parity Indebtedness and the performance of the obligations under the Master Indenture; (2) a written statement of the Director of Finance or a Consulting Engineer that (a) projects Operating Expenses, Revenues and Net Revenues for two full Fiscal Years after the date of the addition of the parking facility as part of the Facilities and which demonstrates that, on the basis of such projections, the City can comply with the Revenue Covenant, taking into account those rates, fees and other charges which are in effect at the time of the delivery of the statement and future increases in such rates, fees and other charges as may be required to continue to comply with the Revenue Covenant and (b) certifies that the amount on deposit in the Repair and Replacement Reserve Fund is adequate for the Facilities, including the proposed addition, or if the amount on deposit is not sufficient, a statement as to the required level of funding for such Fund; (3) an Opinion of Counsel stating that such Supplemental Indenture is, subject to customary qualifications, a legal, valid, binding and enforceable obligation of the City; (4) an Opinion of Bond Counsel stating that, subject to customary qualifications, the addition of the

parking facility as part of the Facilities will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on any Outstanding Bonds the interest on which was excludable from gross income on the date of their issuance; and (5) confirmation from the Rating Agency that the rating on the Outstanding Bonds will not be adversely affected as the result of such addition to the Facilities.

Events of Default

Each of the following events is an Event of Default under the Indenture:

- (1) Payment of any interest on any Bond or Parity Indebtedness is not made when due and payable;
- (2) Payment of the principal of or premium, if any, on any Bond or Parity Indebtedness is not made when due and payable;
- (3) Subject to certain rights of the City to cure such defaults as set forth in the Master Indenture, default in the observance or performance of any other covenant, condition or agreement on the part of the City under the Master Indenture, any Supplemental Indenture, in the Bonds or any document under which Parity Indebtedness has been issued; or
- (4) Appointment by a court of competent jurisdiction of a receiver for all or any substantial part of the Revenues and other funds of the City pledged pursuant to the Master Indenture, or the filing by the City of any petition for reorganization of the City or rearrangement or readjustment of the obligations of the City under provisions of any applicable bankruptcy or insolvency law.

Remedies; Rights of Owners

The rights and remedies of Owners on default are subject to certain rights of MBIA Insurance Corporation as described in the section of this Appendix “Certain Rights of MBIA Insurance Corporation.”

Upon the occurrence and continuation of an Event of Default, the Trustee may, pursue any available remedy, at law or in equity, to enforce the payment of the principal of and premium, if any, and interest on the Bonds and Parity Indebtedness, to enforce any covenant or condition under the Master Indenture or any Supplemental Indenture, or to remedy any Event of Default.

Upon the occurrence and continuation of an Event of Default, and if requested so to do by the Owners of at least twenty-five percent in aggregate principal amount of the Bonds and Parity Indebtedness then Outstanding and having been indemnified as provided in the Master Indenture, the Trustee will exercise such of the rights and powers conferred by this Section as the Trustee, being advised by Counsel, deems most effective to enforce and protect the interests of the Owners.

If any proceeding taken by the Trustee on account of any default has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee, then the City, the Trustee and the Owners will be restored to their former positions and rights under the Master Indenture and the Supplemental Indentures and all rights, remedies and powers of the Trustee will continue as though no such proceeding had been taken.

Upon the occurrence and continuation of any Event of Default, the Owners of a majority in aggregate principal amount of the Bonds and Parity Indebtedness then Outstanding will have the right, upon providing the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Master Indenture and any Supplemental Indenture.

No Owner of any of the Bonds or Parity Indebtedness will have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Master Indenture or any Supplemental Indenture or any remedy under the Master Indenture, any Supplemental Indenture, the Bonds or Parity Indebtedness, unless (1) the

Owner has given to the Trustee written notice of an Event of Default; (2) the Owners of a majority in aggregate principal amount of the Bonds and Parity Indebtedness then Outstanding also have made written request of the Trustee to institute the suit, action, proceeding or other remedy, after the right to exercise the powers or rights of action, as the case may be, has accrued, and have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Master Indenture and the Supplemental Indentures, or to institute the action, suit or proceeding in its or their name; (3) there has been offered to the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred; and (4) the Trustee has not complied with the request within a reasonable time. Such notification, request and offer of indemnity are declared, at the option of the Trustee, to be conditions precedent to the execution of the trusts of the Master Indenture and the Supplemental Indentures or for any other remedy under the Master Indenture and the Supplemental Indentures. It is intended that no one or more Owners of the Bonds or Parity Indebtedness secured by the Master Indenture and any Supplemental Indenture will have any right to affect, disturb or prejudice the security of the Master Indenture or any Supplemental Indenture, or to enforce any right under the Master Indenture, any Supplemental Indenture, the Bonds or Parity Indebtedness, except in the manner provided for in the Master Indenture, and that all proceedings at law or in equity will be instituted, had and maintained in the manner provided in the Master Indenture and for the benefit of all Owners of Outstanding Bonds and Parity Indebtedness. Nothing in the Master Indenture will affect or impair the right of the Owners to enforce payment of the Bonds and Parity Indebtedness in accordance with their terms.

All rights of action under the Master Indenture or under any of the Bonds or Parity Indebtedness secured by it which are enforceable by the Trustee may be enforced without the possession of any of the Bonds or Parity Indebtedness, or their production at the trial or other related proceedings. Any suit, action or proceedings instituted by the Trustee may be brought in its own name, as trustee, for the equal and ratable benefit of the Owners of the Bonds and Parity Indebtedness subject to the provisions of the Master Indenture.

No remedy in the Master Indenture and the Supplemental Indentures conferred on or reserved to the Trustee or to the Owners is intended to be exclusive of any other remedy, and each remedy is cumulative, and is in addition to every other remedy given under the Master Indenture and the Supplemental Indentures or now or hereafter existing at law, in equity or by statute.

Waiver of Events of Default

The rights and remedies of Owners to waive events of default are subject to certain rights of MBIA Insurance Corporation as described in the section of this Appendix "Certain Rights of MBIA Insurance Corporation."

The Trustee will waive any Event of Default under the Indenture and its consequences and rescind any declaration of acceleration upon the written request of the Owners of a majority in aggregate principal amount of all Outstanding Bonds and Parity Indebtedness. If any Event of Default has been waived as provided in the Master Indenture, the Trustee will promptly give written notice of the waiver to the City and by first class mail, postage prepaid, to all Owners of Outstanding Bonds and Parity Indebtedness if the Owners had previously been given notice of the Event of Default. No waiver, rescission and annulment will extend to or affect any subsequent Event of Default or impair any right, power or remedy available under the Master Indenture.

No delay or omission of the Trustee or of any Owner to exercise any right, power or remedy accruing upon any default or Event of Default will impair any such right, power or remedy or will be construed to be a waiver or acquiescence in any such default or Event of Default. Every right, power and remedy of the Trustee or of the Owners may be exercised from time to time and as often as may be deemed expedient.

Discharge of Indenture

If (1) all Bonds and Parity Indebtedness secured by the Master Indenture have become due and payable or irrevocable instructions to redeem the Bonds or Parity Indebtedness or pay them at maturity have been given by the City to the Trustee; and (2) the Trustee holds cash or noncallable Defeasance Obligations the principal of and interest on which at maturity will be sufficient without reinvestment (i) if Bonds and Parity Indebtedness have been called for redemption, or irrevocable instructions to call Bonds and Parity Indebtedness have been given to the

Trustee, to redeem in accordance with the relevant Sections of the Master Indenture and the applicable Supplemental Indenture all such Bonds and Parity Indebtedness on the date set for such redemption, (ii) to pay at maturity all Outstanding Bonds and Parity Indebtedness not called for redemption, (iii) to pay interest accruing on all Bonds and Parity Indebtedness until their redemption or payment at maturity, and (iv) to pay the Trustee its reasonable fees and expenses, including the costs and expenses of cancelling and discharging the Master Indenture, then the Trustee will cancel and discharge the lien of the Master Indenture and execute and deliver to the City such instruments in writing as will be required to release such lien, and assign and deliver to the City any property subject to the Master Indenture which may then be in its possession, except funds or securities in which such funds are invested which are held by the Trustee for the payment of the principal of and premium, if any, and interest on the Bonds and Parity Indebtedness.

If all of the Bonds and Parity Indebtedness secured by the Master Indenture are paid or deemed paid in accordance with the terms of the Master Indenture, then the right and interest of the Trustee in and to the trust estate created by the Master Indenture and all covenants, agreements and other obligations of the City to the Owners will cease and be discharged and satisfied. If any Bonds and Parity Indebtedness are paid or deemed paid in accordance with the terms of the Master Indenture, then such Bonds and Parity Indebtedness will cease to be entitled to any lien, benefit or security under the Master Indenture (other than the right to receive payment and certain rights regarding registration and transfer) and all covenants, agreements and other obligations of the City to the Owners of such Bonds and Parity Indebtedness will cease and be discharged and satisfied.

Bonds and Parity Indebtedness will be deemed paid and no longer Outstanding for the purposes of the Master Indenture when there has been deposited with the Trustee cash or noncallable Defeasance Obligations the principal of and interest on which will be sufficient without reinvestment to pay or redeem such Bonds and Parity Indebtedness and to pay interest accruing on such Bonds and Parity Indebtedness to their payment or redemption date (whether on or before their maturity or redemption date); provided, however, that if such Bonds and Parity Indebtedness are to be redeemed before their maturity, notice of the redemption must have been duly given or irrevocable instructions to redeem such Bonds and Parity Indebtedness must have been given by the City to the Trustee.

Modification or Amendment of the Indenture

The rights of Owners to consent to the modification or amendment of the Indenture are subject to certain rights of MBIA Insurance Corporation as described in the section of this Appendix “Certain Rights of MBIA Insurance Corporation.”

The City and the Trustee may, without consent of any of the Owners, enter into an agreement or agreements supplemental to the Indenture for any one or more of the following purposes:

- (1) To add to the covenants and agreements of the City contained in the Master Indenture and any Supplemental Indentures other covenants and agreements, and to surrender any right or power in the Master Indenture and any Supplemental Indentures reserved to or conferred upon the City;
- (2) To cure any ambiguity, to supply any omission or to cure, correct or supplement any defect in the Master Indenture or any Supplemental Indenture;
- (3) To grant to the Trustee for the benefit of the Owners additional rights, remedies, powers or authority;
- (4) To subject to the Master Indenture and the Supplemental Indentures additional collateral;
- (5) To modify the Master Indenture, any Supplemental Indenture, or the Bonds or Parity Indebtedness to permit qualification under the Trust Indenture Act of 1939 or any similar federal statute at the time in effect, or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States;

- (6) To provide for uncertificated Bonds or Parity Indebtedness;
- (7) To evidence the succession of a new Trustee or Paying Agent or the appointment by the Trustee or the City of a Co-Trustee or a Co-Paying Agent and to specify the rights and obligations of such Co-Trustee or Co-Paying Agent;
- (8) To make any change (including but not limited to a change to reflect any amendment to the Code or interpretations of it by the Treasury Department or the Internal Revenue Service) that in the opinion of the Trustee does not materially adversely affect the rights of any Owner of any Bonds or Parity Indebtedness;
- (9) To make any modifications or changes necessary or appropriate to issue an additional Series of Bonds or any Parity Indebtedness; or
- (10) To make any modifications or changes necessary or appropriate to permit Bonds of any Series or any Parity Indebtedness to be secured by a Credit Facility or to accommodate the issuance of Bonds or any Parity Indebtedness bearing variable interest rates, including the addition of provisions for the appointment of tender agents and similar parties and the specification of the duties and powers of such parties.

In making any decision regarding whether any modification of or change to the Indenture or any Supplemental Indenture will materially adversely affect the rights of the Owners of any Bonds or Parity Indebtedness then Outstanding, the Trustee may obtain and rely on an opinion or report of an independent financial advisor or consultant to be selected by the Trustee subject to the approval of the City. The cost of any such financial advisor or consultant will be paid by the City.

Any modification or alteration of the Master Indenture and any Supplemental Indenture or of the rights and obligations of the City or of the Owners of the Bonds or Parity Indebtedness may be made by the City and the Trustee with the consent of (i) the Owners of a majority in aggregate principal amount of the Bonds or Parity Indebtedness then Outstanding, or (ii) in case less than all of the Bonds and any Parity Indebtedness then Outstanding are affected by the modifications or amendments, the Owners of a majority in aggregate principal amount of the Bonds and Parity Indebtedness so affected then Outstanding. However, without the consent of each Owner affected, no modification or alteration may (a) extend the maturity of the principal of or interest on any Bond or Parity Indebtedness, (b) reduce the principal amount of, or rate of interest on, any Bond or Parity Indebtedness, (c) effect a privilege or priority of any Bond or Bonds or Parity Indebtedness over any other Bond or Bonds or Parity Indebtedness, (d) reduce the percentage of the principal amount of the Bonds or Parity Indebtedness required for consent to such modification or alteration, (e) if applicable, impair the exclusion of interest on any Bonds or Parity Indebtedness from gross income for purposes of federal income taxation, (f) eliminate or extend the mandatory redemption date of any Bonds or Parity Indebtedness or reduce the redemption price of any Bonds or Parity Indebtedness, (g) create a lien ranking prior to or on a parity with the lien of the Master Indenture on the property described in Article II thereof, or (h) deprive any Owner of the lien created by the Master Indenture on such property. In addition, if money has been deposited or set aside with the Trustee pursuant to Article XIV of the Master Indenture for the payment of Bonds or Parity Indebtedness and those Bonds or Parity Indebtedness will not have in fact actually been paid in full, no amendment to the provisions of that Article will be made without the consent of the Owner of each of the Bonds or Parity Indebtedness affected.

Certain Rights of MBIA Corporation

The Seventh Supplemental Indenture provides for the exercise of certain rights and remedies under the Master Indenture by MBIA Insurance Corporation. Upon the occurrence and continuance of an event of default under the Master Indenture, MBIA Insurance Corporation may exercise all rights and remedies granted to Owners of the 2005A Bonds under the Master Indenture, including the right to waive any such default. The exercise of certain of the City's rights with respect to the 2005A Bonds under the Master Indenture will be subject to the prior consent of MBIA Insurance Corporation. In addition, so long as the Bond Insurance Policy is in effect with respect to the 2005A Bonds, MBIA Insurance Corporation has imposed certain additional limitations on the City's rights under the

various covenants contained in the Master Indenture. The Seventh Supplemental Indenture contains all of the terms and conditions imposed upon the City by MBIA Insurance Corporation.

APPENDIX C

CERTAIN INFORMATION CONCERNING THE CITY

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INTRODUCTION

The City of Norfolk was established as a town in 1682, as a borough in 1736 and incorporated as a city in 1845. The City is the economic, business, educational and cultural center of Southeastern Virginia. The City lies at the mouth of the James and Elizabeth Rivers and the Chesapeake Bay, and is adjacent to the Atlantic Ocean and the cities of Virginia Beach, Portsmouth and Chesapeake.

Table C-1
City of Norfolk, Virginia
Area of City

<u>Year</u>	<u>Square Miles</u>
1950	37.19
1960	61.85
1970	61.85
1980	65.75
1990	65.98
2000	65.98
2004	65.98

CITY GOVERNMENT

Norfolk is an independent, full-service City with sole local government taxing power within its boundaries. It derives its governing authority from a charter (the “Charter”), originally adopted by the General Assembly of Virginia in 1918, which authorizes a council-manager form of government. The City Council exercises all of the governmental powers conferred upon the City and consists of seven members elected to office under a ward-based system, with two members elected from City-wide super wards. The City Council elects a Mayor and a Vice Mayor from among its members. Among the City officials appointed by the City Council is the City Manager, the administrative head of the municipal government. The City Manager carries out its policies, directs business procedures and appoints, with the power to remove, the heads of departments and other employees of the City except those otherwise specifically covered by statutory provisions. The City Council also appoints certain boards, commissions and authorities of the City.

Certain Elected Officials

The City’s current elected officials include:

Paul D. Fraim, Mayor

Mayor Fraim, representing Ward 2, was elected Mayor in July 1994 and is serving the City in this capacity for his fifth consecutive term. He is the president of the law firm Heilig, McKenry, Fraim & Lollar, P.C., and was first elected to City Council in 1986. He has a B.A. degree from Virginia Military Institute, Lexington, Virginia, and a Masters in Education from the University of Virginia, Charlottesville, Virginia. He received his Law degree from the University of Richmond, Richmond, Virginia. Mayor Fraim is an active member of the Virginia State Bar, the Virginia Bar Association and the Norfolk-Portsmouth Bar Association and has held a number of leadership positions in these organizations.

Daun S. Hester, Vice Mayor

Mrs. Daun Hester, representing Super Ward 7, was first elected to City Council in July 1996. Mrs. Hester is currently employed as Coordinator of Student Affairs for Norfolk Public Schools. She received a B.S. degree from Virginia State University, Petersburg, Virginia, and a Master of Arts in Education and Human Development from The George Washington University, Washington, D.C. Mrs. Hester is active in many local professional organizations.

Anthony L. Burfoot, Council Member

Mr. Burfoot, representing Ward 3, was first elected to City Council in July 2002. He is a Sales Representative for Liberty Mutual Group in Chesapeake, Virginia. He received a Bachelor of Science degree in Public Administration and a Master's degree in Educational and Administrative Supervision from Virginia State University. He is involved in many civic and business activities.

Paul R. Riddick, Council Member

Mr. Riddick, representing Ward 4, was first elected to City Council in 1992. He is the owner of Riddick Funeral Service. He attended Norfolk State University, Norfolk, Virginia, and has an A.A.S. degree in Funeral Service from John Tyler Community College, Chester, Virginia. Mr. Riddick is active in many local professional organizations.

Donald L. Williams, Council Member

Mr. Williams, representing Ward 1, was first elected to City Council in July 2002. Prior to running for Council, Mr. Williams served as a delegate in the Virginia House of Delegates from 1998-2001. He is currently president and a broker at the Hampton Roads Housing Center. He attended Old Dominion University and obtained a broker's license in 1983. Mr. Williams is active in many civic and business activities.

Barclay C. Winn, Council Member

Mr. Winn, representing Super Ward 6, was first elected to City Council in July 2000. He is the co-owner of Winn Nursery of Virginia, Inc. He received a Bachelor of Science degree from North Carolina State University, Raleigh, North Carolina. Mr. Winn is active in many civic and business activities.

W. Randy Wright, Council Member

Mr. Wright, representing Ward 5, was first elected to City Council in July 1992. He is the owner of Randy Wright Printing and Publishing. He is involved in many civic and business activities.

Certain Appointed Officials

Regina V.K. Williams, City Manager

Regina V.K. Williams assumed the post of Norfolk City Manager in January 1999. Her responsibilities include the supervision of the administrative operations of the City and the preparation of its annual budget. She served as City Manager for the City of San Jose, California for five years and previously served as Assistant City Manager for five years. Prior to serving in San Jose, Mrs. Williams was Deputy City Manager and Chief of Staff for the City of Richmond, Virginia. In 1982, Mrs. Williams was appointed by then Virginia Governor Charles Robb as the first female and first African American to be State Director of Personnel and Training. In 1991, she was inducted as a fellow into the National Academy of Public Administration (NAPA). In 1988, Mrs. Williams was elected to a vice-presidency of

the Board of Directors for the International City-County Management Association (ICMA). She was awarded the designation of manager of the year in September 2002 by ICMA. Mrs. Williams also served as the President of the National Forum of Black Public Administrators in 1995-96 and is a founder and former President of the Richmond, Virginia Chapter of the Conference of Minority Public Administrators. She earned her Bachelor of Science Degree from Eastern Michigan University, Ypsilanti, Michigan and a Masters degree in Public Administration from Virginia Commonwealth University, Richmond, Virginia.

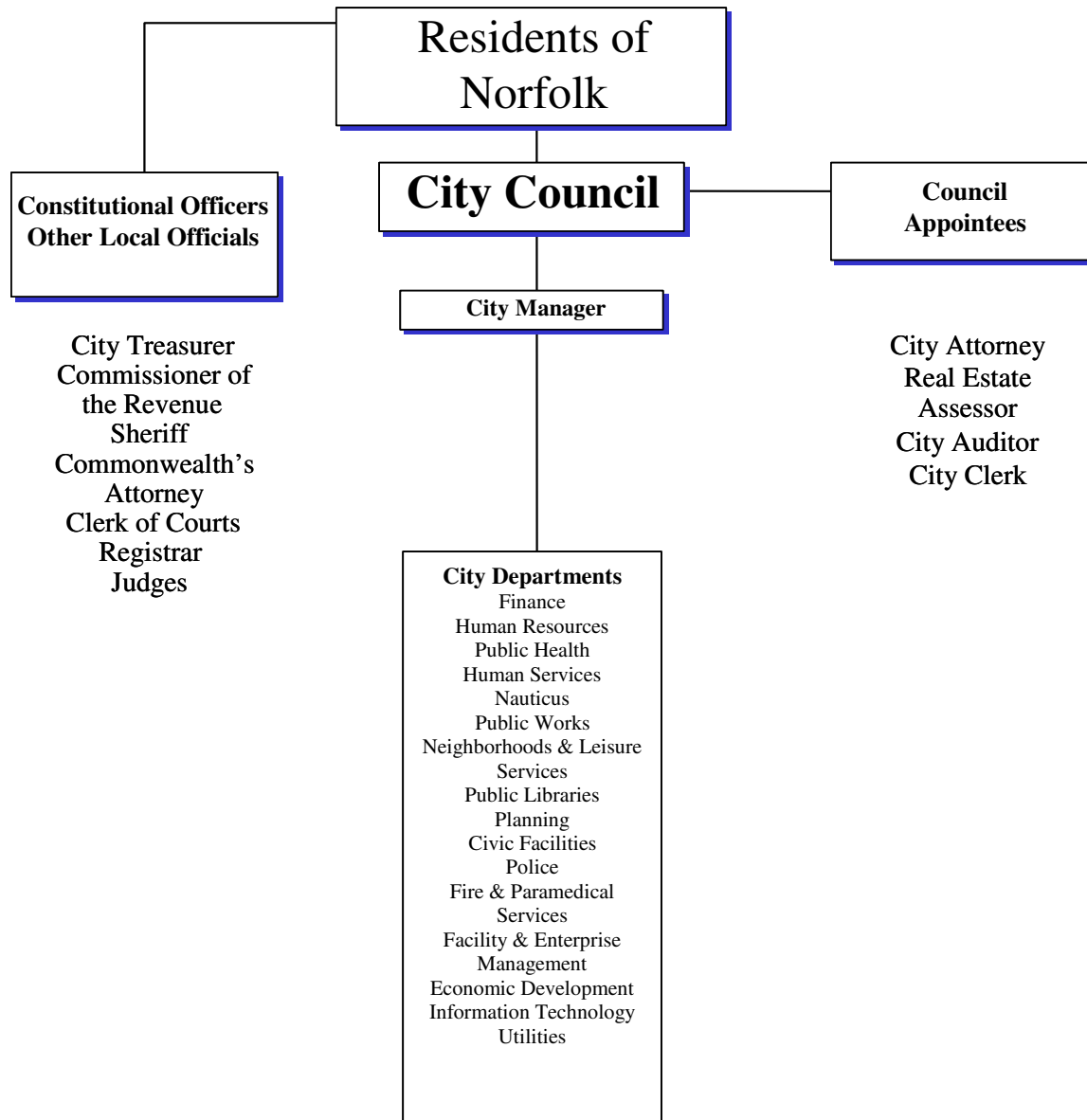
Steven G. de Mik, Director of Finance

Steve de Mik commenced his tenure as Director of Finance on September 1, 2000. At the direction of the City Manager, he is responsible for identifying strategic opportunities for the City in the policy areas of taxation, financial management, fiscal policy development and instruction and economic development. In addition, he is responsible for the administration of the financial affairs of the City which include cash management and investments, debt management, financial accounting and reporting, procurement, risk management, and retiree benefits. Mr. de Mik came to the City from Knox County, Tennessee where he served as the Deputy Director of Finance and Administration. His other work experiences include service with the State of Tennessee Comptroller of the Treasury and Chipman and McMurray, Certified Public Accountants. Mr. de Mik earned a Bachelor of Science degree in Accounting and Business Administration from Southwest Baptist University, Bolivar, Missouri. He is also a licensed Certified Public Accountant.

Bernard A. Pishko, City Attorney

Bernard A. Pishko was first appointed by City Council as City Attorney in November 1997. He previously served as Deputy City Attorney from 1989 to 1997 and as an Assistant City Attorney from 1984 to 1989. He has practiced law since 1982. The City Attorney is also general counsel for the Norfolk School Board, Norfolk Recreational Facilities Authority, Norfolk Community Services Board, Hospital Authority of Norfolk, Norfolk Municipal Employees' Retirement System, Norfolk Electoral Board, Civil Service Commission and The Chrysler Museum of Art. Mr. Pishko is a member of many professional associations and community organizations. He received his undergraduate degree from Brown University, Providence, Rhode Island, a Masters degree in Business Administration from the College of William and Mary, Williamsburg, Virginia, and a Law degree from the Marshall-Wythe School of Law.

Governmental Services and Facilities



In Virginia, cities and counties are not overlapping units of government. Each city or county is a distinct political entity providing services for the population within its respective jurisdiction. The City of Norfolk provides a comprehensive range of public services characteristic of its form of government under Virginia law. These services are designed to provide an environment within which the educational, physical, social and cultural needs of its citizens are met. These general governmental services include police protection, fire and paramedical services, health and social services, planning and zoning management, code enforcement, storm water management, street maintenance, traffic control, parks and cemeteries operation and maintenance, recreation and library services, solid waste disposal and general administrative services. In addition, water, wastewater and parking facilities services are provided under an enterprise fund concept with user-charges set by City Council.

Other Governmental Entities

School Board of the City of Norfolk

The seven members of the School Board of the City of Norfolk (the “School Board”) are appointed by the City Council. The School Board is a corporate body and in its corporate capacity is vested with all of the duties, obligations and responsibilities imposed upon school boards by law. The City Council is required to appropriate annually to the School Board the amount needed for the support of the public schools in maintaining educational programs which meet the standards of quality prescribed by law. Categorical aid from the Commonwealth of Virginia and the federal government designated for educational purposes is included in the City’s General Fund budgetary revenue. This categorical aid, plus monies derived from local sources, provides the funds for the major share of the School Board’s operations. On an ongoing basis, the City also issues debt to finance needed capital projects of the school system.

The School Board presently operates thirty-five (35) elementary schools, nine (9) middle schools, five (5) high schools and thirteen (13) auxiliary schools. For the fiscal year ended June 30, 2004, the School Board’s expenditures for education totaled \$261,149,383.

National Maritime Center Authority

The National Maritime Center Authority (NMCA), a Virginia nonstock, not-for-profit, political subdivision of the Commonwealth of Virginia, was formed during 1988 as an administrative body for the planning, design and development (including fundraising) and operation of Nauticus, a public maritime education center which opened in June of 1994. City Council appointed commissioners who in turn designated management. Nauticus became a City department in Fiscal Year 1997.

Norfolk Airport Authority

The Norfolk Airport Authority, a political subdivision of the Commonwealth, was created to operate an airport and to promote industrial growth and consists of both an Airport Fund and an Investment Fund. The Authority’s Commissioners are appointed by City Council, but the Commission designates its own management and has oversight responsibility for its own fiscal matters. The City does not provide funds for the operations of the Authority, and the Authority is required to submit its annual budget to the City Council for informational purposes only.

The Airport Fund was established by the Authority to account for the operations of the Norfolk International Airport (the “Airport”). Revenue generated by airport operations is used to meet all operating expenses and to provide for payment of all principal and interest on debt of the Authority related to the Airport.

The Authority finances individual capital projects by issuing bonds or obtaining loans and intergovernmental grants in its own name and concurrently entering into leases which provide for payment of all principal and interest on the related obligation as they become due. Revenue includes rental income on non-airport property owned by the Authority and interest on investments.

Hampton Roads Regional Jail Authority

The Hampton Roads Regional Jail Authority (HRRJA) is a regional organization which includes the cities of Hampton, Newport News, Norfolk and Portsmouth, created for the purpose of providing, operating and maintaining a regional jail facility for the correctional overflow from each community. HRRJA is a primary government, with no component units, and is governed by a twelve member Board of Directors, consisting of three representatives appointed by each of the member cities. The budgeting

and financing of HRRJA are subject to the approval of the Board of Directors, with each individual having a single vote. HRRJA is responsible for its own financial matters, maintains its own books of account and is audited annually by independent accountants that it engages.

The facility, which opened in March 1998, consists of approximately 385,518 square feet of building area, including three housing building units, a support building and a central plant. The Jail holds 875 inmates of which 250 are designated to the City. The City is responsible for 28.57% of the total operating cost less the revenue derived from the Virginia Compensation Board and the per diem reimbursement from the Commonwealth for the housing of state inmates.

The Southeastern Public Service Authority of Virginia

The Southeastern Public Service Authority (SPSA) is a joint venture of the cities of Chesapeake, Franklin, Norfolk, Portsmouth, Suffolk and Virginia Beach and the counties of Isle of Wight and Southampton, created for the purpose of providing, operating and maintaining a regional system for the collection, transfer, processing and disposal of solid waste refuse. SPSA is a primary government, with no component units, and is governed by an eight member Board of Directors, consisting of a representative appointed by each of the member cities and counties. The budgeting and financing of SPSA are subject to the approval of the Board of Directors, with each individual having a single vote. SPSA is responsible for its own financial matters, maintains its own books of account and is audited annually by independent accountants that it engages. The regional system includes a refuse-derived fuel plant and a fuel delivery system, located on federally-owned land in the City of Portsmouth, as well as solid waste transfer stations in each of the member jurisdictions, a landfill, rolling stock and ancillary facilities, and an extensive recycling program which collects recyclable waste products from single-family homes and at drop-off centers.

Hampton Roads Transportation District Commission

Hampton Roads Transit was created on October 1, 1999 with the consolidation of the Tidewater Regional Transit ("TRT") and PENTRAN. It is believed to be the first voluntary merger of public transit agencies in the nation. The district continues to be a political subdivision of the Commonwealth of Virginia, formed as a joint exercise of governmental power in accordance with the provisions of Chapter 32 of Title 15.2 of the Code of Virginia. The district provides transportation facilities and services to the Cities of Norfolk, Chesapeake, Hampton, Newport News, Portsmouth, Suffolk, and Virginia Beach.

The Hampton Roads (formerly Tidewater) Transportation District Commission, a political subdivision of the Commonwealth of Virginia, was formed on May 9, 1973, as a joint exercise of governmental power in accordance with provisions of Chapter 32 of Title 15.1 of the Code of Virginia.

Table C-2
City of Norfolk, Virginia
Contributions to Hampton Roads Transportation District Commission
2000-2005

<u>Year</u>	<u>Contributions</u>
2000.....	\$3,203,679
2001.....	3,406,229
2002.....	4,118,780
2003.....	3,276,830
2004 ⁽¹⁾	3,002,003
2005 ⁽²⁾	3,021,200

Sources: City of Norfolk Council Approved Fiscal Year 2005 Budget.

⁽¹⁾ Approved

⁽²⁾ Adopted

Hospital Authority of Norfolk

The Hospital Authority of Norfolk (HAN) is a tax-exempt, not-for-profit political subdivision of the Commonwealth. HAN has a nine-member Board of Commissioners appointed by City Council and was created pursuant to an Agreement of Transfer dated July 1, 1988. The Hospital Authority operates Lake Taylor Hospital as a long-term care facility licensed by the Virginia State Health Department to provide a continuum of patient care ranging from sub-acute hospital services to skilled nursing care.

Norfolk Redevelopment and Housing Authority

The Norfolk Redevelopment and Housing Authority (NRHA) is a political subdivision of the Commonwealth which was created by the City on July 30, 1940, under the provisions of the United States Housing Act of 1937. The NRHA provides subsidized public housing and administers redevelopment and conservation projects within the City in accordance with state and federal legislation. The seven members of the Board of Commissioners are appointed by City Council for staggered four-year terms. NRHA is responsible, through various funding agreements with the City, for the administration of such activities as community development, urban renewal, neighborhood development and conservation, and certain public housing services provided to residents of the City. However, the City does not exercise a significant degree of oversight responsibility for the NRHA as it is responsible for designating its own management, developing its own operating budget and executing major contracts on its own behalf. The NRHA also is responsible for its own fiscal matters as it maintains its own books of account, is audited annually by independent accountants that it engages, has authority over earnings, deficits and monies other than City contract funds and is fully responsible for the repayment of the debt it incurs.

ECONOMIC AND DEMOGRAPHIC FACTORS

Population

As reflected in the Table C-3, from 1970 to 2001, the population of the City declined; a fact which can be attributed in part to the clearance and redevelopment of blighted areas and to a reduction in the birth rate. More recently published population statistics suggest the City's population has now stabilized. The City is the second most populous city in Virginia, as shown in Table C-4.

Table C-3
Population Trend Comparisons
1960-2003

<u>Year</u>	<u>Norfolk</u>	<u>Hampton Roads MSA⁽¹⁾</u>	<u>Virginia</u>	<u>U.S.</u>
1960	305,872	881,600	3,954,429	179,323,175
1970	307,951	1,058,764 ⁽²⁾	4,468,479	203,211,926
1980	266,979	1,160,311 ⁽²⁾	5,346,279	226,504,825
1990	261,250	1,430,974	6,189,197	249,632,692
2000	234,403	1,533,739 ⁽³⁾	7,079,030	281,421,906
2001	234,000 ⁽³⁾	1,542,300 ⁽³⁾	7,196,800 ⁽³⁾	285,317,559 ⁽⁴⁾
2002	234,100 ⁽³⁾	1,549,400 ⁽³⁾	7,287,800 ⁽³⁾	288,368,698 ⁽⁴⁾
2003	234,100 ⁽³⁾	1,559,000 ⁽³⁾	7,386,300 ⁽³⁾	290,809,777 ⁽⁴⁾

Sources: Various Reports of the Bureau of the Census.

- Notes:
- (1) Until March 1993, the Hampton Roads MSA consisted of the Virginia localities of Norfolk, Chesapeake, Hampton, Newport News, Poquoson, Portsmouth, Suffolk, Virginia Beach, Williamsburg, Gloucester County, James City County, and York County. In March 1993, Mathews County and Isle of Wight County, Virginia, and Currituck County, North Carolina were added to the Hampton Roads MSA.
 - (2) Weldon Cooper Center for Public Service, University of Virginia, is the source for the 1970 and the 1980 MSA Population.
 - (3) Population estimate from Weldon Cooper Center for Public Service, University of Virginia.
 - (4) Estimates from U.S. Census Bureau.

Table C-4
Five Most Populous Cities in Virginia

<u>City</u>	<u>2000 Census Population</u>	<u>2003 Population Estimate</u>
Virginia Beach	425,257	428,200
Norfolk.....	234,403	234,100
Chesapeake	199,184	206,600
Richmond.....	197,790	195,300
Newport News	180,697	180,900

Source: U.S. Department of Commerce, Bureau of the Census and the Weldon Cooper Center for Public Service, University of Virginia.

Table C-5 provides an annual comparison of per capita personal income since 1995.

Table C-5
City of Norfolk, Virginia
Per Capita Personal Income Comparisons
1995-2003

<u>Year</u>	<u>City</u>	<u>Hampton Roads</u> <u>MSA</u>	<u>State</u>	<u>U.S.</u>
1995	\$18,667	\$20,856	\$24,056	\$23,076
1996	19,401	21,876	25,034	24,175
1997	20,361	22,838	26,307	25,334
1998	21,406	24,026	27,780	26,883
1999	22,131	24,912	29,226	27,939
2000	23,509	26,355	31,084	29,847
2001	24,442	27,557	32,328	30,527
2002	24,873	28,365	32,793	30,906
2003	*	*	33,651	31,459

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, 2003.

* Data not available at time of publication

The age distribution of the City's population is presented in Table C-6.

Table C-6
City of Norfolk, Virginia
City Population Distribution by Age
1960-2000

<u>Year</u>	<u>Population</u>	<u>Under 20</u>	<u>20-64</u>	<u>65 or Older</u>
1960	305,872	39.8 %	54.5 %	5.7 %
1970	307,951	35.4	57.8	6.8
1980	266,979	30.7	60.1	9.2
1990	261,250	28.1	61.4	10.5
2000	234,403	27.3	61.5	11.2

Sources: Various Reports of the Bureau of the Census.

Housing and Construction Availability

Table C-7 provides an annual breakdown of residential building permits since 1995.

Table C-7
City of Norfolk, Virginia
Residential Construction
Fiscal Years 1995 - 2004

<u>Fiscal Year</u>	<u>Building Permits</u>	<u>Number of Units</u>	<u>Value (in thousands)</u>
1995	208	453	\$24,856
1996	192	214	17,024
1997	177	177	12,880
1998	192	282	24,263
1999	174	241	21,872
2000	189	310	38,739
2001	185	401	35,109
2002	290	462	44,498
2003	284	497	54,520
2004	506	601	75,801

Source: Permit Tracking System, Department of Planning, City of Norfolk

Table C-8 presents annual nonresidential construction, which includes commercial buildings, public buildings, schools, public utility buildings and miscellaneous structures.

Table C-8
City of Norfolk, Virginia
Nonresidential Construction
Fiscal Years 1995 - 2004

<u>Fiscal Year</u>	<u>Building Permits</u>	<u>Value (in thousands)</u>
1995	50	\$22,509
1996	46	26,147
1997	53	87,688
1998	54	79,500
1999	46	52,932
2000	45	138,472
2001	35	62,046
2002	53	51,451
2003	35	24,084
2004	71	142,658

Source: Permit Tracking System, Department of Planning, City of Norfolk

Employment

Businesses in the City provide residents with employment opportunities in a variety of industries of which services, government and trade are the most significant.

The unemployment rate for the City is illustrated in Table C-9.

Table C-9
City of Norfolk, Virginia
Unemployment Rates
1995 –2004

	<u>Norfolk</u>	<u>Hampton Roads MSA</u>	<u>Virginia</u>	<u>U.S.</u>
1995	6.4%	4.9%	4.5%	5.6%
1996	6.8	4.8	4.4	5.4
1997	6.9	4.8	4.0	4.9
1998	5.3	3.4	2.9	4.5
1999	5.2	3.4	2.8	4.2
2000	4.0	2.6	2.2	4.0
2001	5.4	3.5	3.4	4.7
2002	6.3	4.2	4.1	5.8
2003	6.5	4.4	4.1	6.0
2004	6.3	4.2	3.5	5.5

Source: Virginia Employment Commission.

Table C-10
City of Norfolk, Virginia
Civilian Employment and Average Weekly Gross Wages
1st Quarter, 2004

<u>Category</u>	<u>Number of Establishments</u>	<u>Number of Employees</u>	<u>Average Weekly Gross Wage</u>	<u>Percentage</u>
Construction	458	5,524	\$618	3.8%
Manufacturing	196	9,378	989	6.5
Trade, Transportation & Utilities	1,378	52,666	634	18.5
Information	110	3,841	1,035	2.7
Financial Activities	590	988	927	6.5
Professional & Business Services	907	1,801	778	13.1
Education and Health Services	493	21,032	661	14.7
Leisure and Hospitality	586	11,531	259	8.0
Other Services	660	3,823	431	2.7
Public Administration	<u>117</u>	<u>33,618</u>	<u>832</u>	<u>23.4</u>
Total	5,495	143,502	\$716	100.0%

Source: U.S. Bureau of Labor Statistics.

Economic Development

Norfolk is the business, financial, cultural, and educational center of Southeastern Virginia. The City is located at the epicenter of Virginia's second most heavily populated region. Economic development initiatives are focused on the attraction, expansion and retention of businesses, neighborhood and community revitalization, and commercial corridor development. These initiatives provide a structure for development and redevelopment throughout the City.

Downtown Development

Downtown offers a mix of cultural attractions and entertainment for its citizens and tourists. Resulting from the coordinated efforts of the City, downtown property assessed value increased 31.66% from Fiscal Year 1998 to 2005. This renaissance is the result of many years of public-private partnerships and innovative planning. Since Fiscal Year 1997, new benchmarks for private investment of \$452 million in office development, \$591 million in residential, \$380 million in retail and restaurants and \$108 million in hospitality in hotels were established.

In 2003, the average asking rent for Downtown Class A office space increased 4.3% to \$20.31 a square foot, while the vacancy rate was 13.2% after an initial rise from the opening of the 225,000 square foot 150 West Main Street Building.

Table C-11
City of Norfolk, Virginia
Downtown Norfolk Vacancy
December 2004

<u>Class A</u>	<u>Rentable SF</u>	<u>Vacant SF</u>	<u>% Vacant</u>
150 West Main Street	226,183	30,385	13.43%
Crown Center	62,000	-	0.00
Dominion Tower	403,276	17,996	4.46
Main Street Tower	200,000	30,743	15.37
Norfolk Southern Tower	301,463	-	0.00
Town Point Center	130,266	23,961	18.39
World Trade Center	<u>366,941</u>	<u>53,664</u>	<u>14.62</u>
TOTAL	1,690,129	156,749	9.27%

Source: City of Norfolk, Department of Development, December 2004.

Development Policy Enhancements

Commercial Revitalization

City-lead initiatives to stimulate commercial revitalization include: Tax Abatement Program (recently expanded to accommodate qualifying commercial and industrial properties in addition to the original residential program); Federal Empowerment and HUB Zones; State Enterprise Zones; Small Area Aesthetic Matching Grant Program; Aesthetic Improvement Grant Pool; Pedestrian Commercial Overlay Zones Tax and Grant Benefits; Concentrated Development Zone Incentives; public infrastructures; amenities; Tax Increment Financing Zones; and Revolving Loan Funds.

A Comprehensive Economic Development Strategy (CEDS), a local planning process designed to guide the economic growth of an area, was approved by City Council on August 24, 2004 and was approved by the U.S. Economic Development Administration (US EDA) on September 15, 2004. A CEDS is required to qualify for US EDA assistance for public works programs, economic adjustment, planning programs, and designation as an Economic Development District (EDD). A CEDS Committee will oversee the implementation and annual evaluation of the CEDS. A CEDS Committee will work closely with US EDA staff to identify eligible projects that will benefit from US EDA Public Works Grant assistance.

Empowerment/Enterprise Zones

In Fiscal Year 2003, twenty-eight businesses in the City qualified for and received \$1,170,338 in General Income Tax Credits, four businesses qualified for and received \$431,560 in Real Property Improvement Tax Credits, and 12 businesses qualified for and received \$202,536 in Job Grants. The four businesses receiving Real Property Improvement Tax Credits made \$1,479,590 in qualified improvements to their enterprise zone property. Some businesses qualified for all three state incentives; therefore, the above business figures cannot be totaled. Thirty-seven businesses in the City qualified for and received state tax credits and/or grants under the Virginia Enterprise Zone Program.

Neighborhood Revitalization

Neighborhood revitalization is one of the City's core initiatives and part of the economic development plan. By increasing the diversity of housing opportunities, the City expects to increase the diversity of its citizenry and expand the tax base. The City's goal for neighborhood and commercial development is to provide an environment that will increase private sector investment, retail sales generation and corresponding municipal revenue generation, create a framework for targeted and coordinated public and private investment and build upon and coordinate with other ongoing community development initiatives.

The City's existing Tax Abatement policy is designed to benefit property owners who make substantial reinvestment in the rehabilitation and reuse of mixed-use, commercial, industrial and multi-tenant residential property that meets eligibility standards. The Tax Abatement Program can be leveraged with State and Federal Historic Tax Credits. There has been a 44.6% growth in total residential applications from February 2003 until March 2004 – and, for the same period, a 41% growth in acceptance. The distribution of tax abatements is shown in Table C-12.

Table C-12
City of Norfolk, Virginia
Distribution of Tax Abatements

<u>Value</u>	<u>Utilization</u>
under \$50,000	21.6 %
\$50,000 – \$ 74,999	25.8
\$75,000 - \$100,000	15.4
over \$100,000	37.3

Source: City of Norfolk, Virginia Economic Development Department.

Residential Investment

Neighborhood corridors are experiencing a period of residential investment in new and existing properties. Norfolk's downtown area was ranked as one of the top ten for residential growth by USA Today in May 2001 based on census data. Since 2001, over 1,000 housing units are or have been under development in the Downtown core. Investors have delivered more than \$1 billion per year in investment during the past five years.

New Residential Multifamily Developments In Downtown

The Downtown 2010 Plan calls for a series of initiatives, many of which are residential, whereby all of the individual developments are coordinated with public improvements. The Come Home to Norfolk Housing Initiative has had a significant impact on residential housing citywide, with a particular emphasis in downtown Norfolk.

Two City-owned properties offered for development by RFP in 2003 are under construction, resulting in a \$60 million investment. The residential development occurring on these City-owned sites includes: Tazewell Properties, a \$40 million investment, 77 condos (some lofts), with a first floor retail grocery; up to 248 apartments in two, seven-story buildings at Brambleton and Bute Streets; St. Paul's Place, a \$20 million project, 90 condos (some lofts) alongside the MacArthur Center bringing a mix of historic façade, traditional condos (The Flats); and industrial lofts along St. Paul's Boulevard (The Lofts). In addition to this are 100 condominium units under construction at 388 Boush Street, an upscale community representing a \$26 million project with a hidden parking garage in the center.

Concurrently, private ventures in the Downtown area include: 411 Granby Street, a renovated office building housing 49 apartments; The Lofts on Granby with 49 rental units; and 44 condominiums at River Park, selling from \$220,000 to \$485,000. In fall 2004, Marathon Development Group announced an ambitious project, Granby Towers, which would deliver 400 units to the location of Granby Street/Brambleton Avenue across from the Federal Courthouse. This \$100 million project will feature two residential condominium towers with retail and amenities including pool, exercise facility, club area and parking.

New Residential Multifamily Projects Beyond Downtown

Ghent. Bristol at Ghent has completed demolition of an obsolete property and acquired other properties from 14th Street to 17th Street between Granby Street and Monticello Avenue. The new multifamily development will feature 268 rental units with an attached five-story garage and clubhouse amenities. Phase II consists of 90 condominiums. The project cost is approximately \$30 million.

Ocean View. In 2002, the City of Norfolk purchased the former site of a 31-acre trailer park located on Pretty Lake in the heart of the East Ocean View Renaissance. The City negotiated a Land Disposition and Development Contract with Harbor Walk Development, LLC for the redevelopment of the property as "Harbor Walk of Norfolk," an upscale, 238-unit condominium project. With an overall anticipated market value in excess of \$70 million and annual revenues to the City in excess of \$1.5 million, the condominium project was opened to residents in June 2004. Unit prices range to over \$500,000. As of December 2004, 18 units have been sold and there are twenty contracts pending.

Larchmont. The Landings at Bolling Square is under construction. The demolition of the former Bolling Square Apartments is almost complete. The 184 condominium unit development is estimated as a \$60 million project.

Edge Management Area – Old Dominion University. Rehabilitation of a historic warehouse on 44th Street has begun. The building is the first along the Old Dominion University Edge Management area, an area that serves as a boundary for the University Village project. The developers are utilizing historic tax credits to retrofit the 52,000 square foot warehouse into 25 loft-style apartments and mini storage.

Residential Projects in Redevelopment Areas – Multifamily & Single family

Ocean View. The seven-mile stretch of beaches on the Chesapeake Bay known as Ocean View experienced redevelopment over the past decade. More than 200 new homes have been built in Ocean View with an average value of \$250,000. Several private and public redevelopment efforts are underway, adding homes to this revitalized area.

East Beach in Ocean View. The first phase of construction in East Beach began in early 2003. The City is guaranteed a minimum of \$8.5 million from the developer plus a commission on future lot sales. Infrastructure installed by the developer is estimated to be \$18 million. Once complete, the project will have 700 housing units with prices ranging from \$200,000 to \$1 million. Construction is anticipated to be complete within 10 years, adding approximately \$250 million to the tax base. As of December 10, 2004, ten of these homes have sold.

Broad Creek. Broad Creek is a \$200 million new community near Norfolk State University. Six hundred mixed-income homes are being built on the site of two former public housing projects. Through a \$35 million Hope VI grant from the U.S. Department of Housing and Urban Development, the Norfolk Redevelopment and Housing Authority is replacing Norfolk's two oldest public housing developments with a mix of single and multi-family housing, some publicly subsidized, and a small commercial area. Plans for redevelopment of other areas of the Broad Creek Renaissance area are underway.

Fort Norfolk. The City utilized the Urban Land Institute's advisory services and implemented some of its concepts into the initial redevelopment phase of the Fort Norfolk/Atlantic City area, including the creation of a property owners group to work in conjunction with the City and prospective developers. Fort Norfolk is a 30-acre urban waterfront redevelopment area linking Downtown to the region's medical complex and Ghent community. The majority of the land is owned by private businesses and landowners who are working with the City to achieve a development plan for the future. Current projects include the \$107 million continuous care retirement community, which broke ground in November 2004 and Plum Point, a \$1.3 million public park, completed in 2004.

Church Street Corridor. In Westchurch, 26 new homes are completed and occupied with sales exceeding \$3.6 million.

Arts and Culture

Support for the Arts and Humanities

Norfolk is home to the Chrysler Museum of Art, Virginia Arts Festival, Virginia Ballet, Virginia Opera, Virginia Stage Company, and Virginia Symphony. A recent economic impact analysis revealed that in addition to recovering its annual grant investment in arts and cultural organizations, the net return to the City of Norfolk was \$1.70 for every \$1.00 invested for a return of almost three to one. Total direct fiscal impact in Fiscal Year 2003 of arts organizations was in excess of \$1 million. Approximately two-thirds of the City's revenue from the arts and cultural community is imported from patrons who reside outside of the City.

Performing Arts & Entertainment Venues

Norfolk's entertainment and theatre venues include the Attucks Theatre, the Harrison Opera House, Chrysler Museum, and the "Theater District" which includes Chrysler Hall, Jeanne and George Roper Theater, Wells Theatre, and the NorVa. In a study released by H. Blount Hunter in June 2004, Fiscal Impact of the Arts in Downtown, more than 400,000 patrons visited and spent in excess of \$1.1 million in retail and \$4.5 million for food while attending arts events. The D'Art Center is relocating into the historic Seldon Arcade. This new exhibition-style facility will feature artists-at-work studios where art is created and sold. The space also will feature a reception area and provide thoroughfare from Main Street to City Hall Avenue.

International Intermodal City Expansions

Cruise Norfolk

In 2004, Nauticus, the National Maritime Center will have received more than 100,000 cruise ship passengers and 40,000 crewmembers to Norfolk. This makes the City the eleventh largest cruise port in the country, which provides regular service to Bermuda, the Bahamas and the Caribbean. Construction on the 80,000 square-foot cruise terminal is set to begin in January 2005 with completion scheduled for September 2006. The National Oceanic and Atmospheric Administration (NOAA) recently announced Nauticus will serve as the location of its Virginia office for the Chesapeake Bay.

Norfolk Airport Authority

Over 600,000 visitors fly into the Norfolk area every year. They spend approximately \$438.7 million a year, creating over 10,000 local jobs with a payroll of over \$158 million. Norfolk International Airport tenants and visitors directly or secondarily provide the region with more than 16,840 jobs, annual paychecks of more than \$300 million and a total dollar output of over \$795.3 million. In the summer of 2004, Independence Air began service to Norfolk and has added flights since opening. Also according to the Norfolk Airport Authority, through April 2004 Norfolk International Airport Passenger Traffic was up 10.71% over the same period in 2003, reaching all-time highs.

Hotel Development

Norfolk shows consecutive growth in hotel occupancy over the past four years. In 2002, the Norfolk Metropolitan Statistical Area (MSA) ranked first in the nation, experiencing the highest gains in both hotel occupancy growth and average daily rate for any major market. In 2004, average daily rates rose from \$62 to \$72 per room, citywide occupancies expanded from 56% to almost 70%, and total hotel revenues increased from \$72.2 million to \$88.8 million.

The Downtown hotel market consists of the Waterside Marriott Convention Center, Sheraton Waterside, Clarion James Madison, Radisson Hotel, the Tazewell and the Courtyard by Marriott, located adjacent to the MacArthur Center. The Norfolk Waterside Hotel has been under an interior renovation including a new street-level restaurant that opened in November 2004, in a \$1 million renovated space. The Sheraton Norfolk Waterside also is undergoing renovations including refurbished banquet and restaurant space and other public areas, totaling \$500,000.

Two hotels outside of Downtown opened in 2004, Springhill Suites at Newtown Road and Residence Inn by Marriott in Lake Wright Executive Center that together represent a \$31.5 million investment. The Lake Wright Convention Center was redeveloped into a Quality Inn and Sleep Inn with several convention and meeting room facilities, a \$15 million project.

Waterfront Recreation Investment

Over \$17 million of overall investment has been made recently along Norfolk's waterfronts. In Ocean View, adjacent to the East Beach slated retail area called "Little Annapolis" is the Taylor's Landing Boatel Marina, a \$10 million private investment bringing 500 new recreational boat slips to the area.

Sports and Recreation

Norfolk has several waterfronts with the Chesapeake Bay on its North boundary and two major rivers within its boundaries. The City has a public boat ramp in Willoughby Spit with access to the Chesapeake Bay, several other boat ramps and a rowing facility located in Lakewood Park.

The Norfolk Tides, the New York Mets' AAA baseball team, will open their 38th season in the City next spring. The team draws more than 500,000 fans annually to Harbor Park and the 5 millionth fan visited the baseball park last season. The 36-acre Harbor Park is on the Elizabeth River and hosts Tides baseball from April through September.

The Norfolk Admirals are a professional hockey club that plays its home games in the City's downtown sports facility, Scope Arena. They are one of 28 member teams of the American Hockey League (AHL), the developmental league for the National Hockey League (NHL). The Admirals are a minor league affiliate of the Chicago Blackhawks, an NHL franchise. The 2004-2005 season marks the Admirals' fifth year in the AHL.

Arena Racing made its debut in Norfolk's Scope Arena in the winter of 2002. Arena racing drivers race one-half-scale stock cars on an indoor track. In the 2004-2005 season, the Arena Racing schedule includes more than 8 events.

Norfolk has two golf courses within the City and a third executive course and driving range under development. Ocean View Golf Course is a recently renovated daily fee golf course in the northern portion of the City. Lake Wright Golf Course also is a daily fee course with newly installed golf cart paths. A third golf course is currently under development on a former 53-acre landfill located behind Old Dominion University. The facility will include a nine-hole executive course, a driving range and practice facility. Construction for this course began in early 2004, with an expected completion date in late 2005.

Norfolk also is the home of two major universities, Old Dominion and Norfolk State. Norfolk State is a member of the MEAC conference and has a new football stadium located on its campus. Old Dominion has soccer, field hockey, and baseball stadiums for its key sports as well as a brand new convocation center, the Ted Constant Center, to host its men's and women's basketball programs.

Retail Investment

Military Highway

New investments in the Military Highway area have increased annual retail sales. Investments include the creation of 109,000 square feet of individual shops from a refit of the Montgomery Ward store in the JANAF Shopping Center, and a \$5 million renovation project located in the heart of 94-acre JANAF Shopping Center that includes retailers such as Blockbuster, Shoe Carnival, Lane Bryant, K&G, Supercuts, E B Games, Quiznos, Alltel, Nailson, Wasabi Japanese Steakhouse and Sushi Bar, Woodcrafters.

JANAF itself hosts TJ Maxx, Old Navy, Sports Authority, Circuit City and other big box retailers. In an effort to create a more congruent village concept, new landscaping work will be completed in the shopping center. Also, a \$20 million expansion to an existing Super Wal-Mart, adjoining JANAF, opened in the fall of 2004.

The Green Gifford automobile dealership expanded to two locations on Military Highway with an investment of \$6 million. This includes a new Nissan dealership. Additional new investment along the corridor includes the addition of a Wachovia branch bank. Further west along the Military Highway corridor is the Greater Ward's Corner commercial area, which is covered below.

Downtown Retail: Mixed-Use Projects

The MacArthur Center, an urban mall and the result of a \$300 million public/private partnership, has served as a catalyst for investment in and around the Granby Street District. The Center opened with 70 stores new to the Hampton Roads region and 35 retailers new to Virginia. This development averages over 1 million monthly shoppers. Since the mall's opening, more than 60 sit-down restaurants have

opened along the Granby corridor. The Granby District is continuing to fill and almost every storefront is occupied.

Three new development projects underway in Downtown feature storefront retail spaces – Trader Publishing, Tazewell Place and Granby Towers. New retail establishments have opened in the past year such as J.Austin’s Men’s Clothing, Elevations, Relative Theory Records and more.

Greater Wards Corner – (Includes Tidewater Drive and East Little Creek). Various other redevelopment projects are either planned or underway in the City. At Tidewater Boulevard and East Little Creek Road, adjacent to the Central Business Park, Wal-Mart is constructing a \$30 million, 207,000 square foot center that will employ 450 people. The 41-acre project is set to open in the summer of 2006. Under construction in Southern Shopping Center is a Ruby Tuesday’s and an ABNB Credit Union was completed in 2004 at the entrance of Central Business Park.

A market study for the Greater Wards Corner Comprehensive Plan is underway. The plan indicates the potential for a new retail “Uptown District” between I-64 and Tidewater Drive, south of Little Creek Road. The plan suggests transforming this area into a mid-box retail district with a hotel – and in later phases – apartments and town houses. At Wards Corner, the plan suggests that when property owners along Granby Street and Little Creek Road are prepared to consider redevelopment, they rebuild the current strip shopping centers as mid-rise apartments built around private courtyards with street-level retail and hidden parking.

Berkley. Farm Fresh announced in November 2004 their plans to build a 25,000 square foot full-service grocery store at the Berkley Shopping Center site, located in the Berkley/Campostella area, home to the largest concentration of shipbuilding and repair businesses in Hampton Roads. The grocery-anchored shopping center will be developed by Perrine and Wheeler, who plan to have 18,000 square feet of small shops. Investment is estimated at \$4.7 million.

Ghent. Ghent, an upscale boutique retail district, boasts 400,000 square feet of retail space and artsy lofts. A \$4 million renovation transformed an automobile facility into the new 21 West shopping center with 21,000 square feet of retail space. The center’s retail portion is completely leased with such tenants as Total Wine, Coldstone Creamery, Quiznos, Katana Japanese Steakhouse, Starbucks, UPS and Moe’s Southwest Grill. Product and service retail in the Granby district include new additions such as Changes City Spa, Color Me Mine, Garden Gazebo, Ribbits Toy Store, and Jake’s Place.

Old Dominion University - University Village. Three new shops have been recently signed in the Village’s retail spaces. It is anticipated that 70 percent of the space will be devoted to food service, with the remainder by retail services and boutiques. The buildings along Monarch Way encompass approximately 50,000 square feet of retail. So far, the university’s public safety office and fitness center have opened.

Broad Creek. The Market Square is envisioned to encompass neighborhood-oriented businesses such as locally-owned bakeries, restaurants, florists, a medical office building and grocery store. Front building elevations will be close to the street with significant architectural details.

East Ocean View. Complementing the existing boat yard and docks on Pretty Lake will be a public plaza lined with more marina-related shops and restaurants. Above the street-level storefronts will be several stories of residences. In addition, the “Village Square” will be lined with shops with residences above.

Norfolk’s Educational Institutions

Available within the City are a wide variety of educational facilities including public elementary, middle and high schools, private and parochial schools, two universities, one college, one community college and a medical school.

Public Schools

Norfolk Public Schools have a low pupil-teacher ratio with class sizes well below the national average. Norfolk offers innovative public school programs, which include Early Childhood Education, a unique, comprehensive program for three and four-year-olds and their parents located in the public housing community of Diggs Town, at the Park Place/Colonial Place Community Center and at Ocean Air Elementary. The school system and the City have successfully worked together to provide the school’s Early Childhood Program in three recreation centers and to establish a partnership between the school system and libraries that will result in extended learning and homework programs for middle and high school students.

Approximately \$90 million has been recently invested in Norfolk public schools. In 2004, the highly anticipated Norview High School was completed. Other facilities receiving renovations and new construction include Blair Middle School, Bay View Elementary, Granby High School, Meadowbrook and Taylor Elementary.

The City is home to the Governor’s Magnet School for the Arts, Virginia’s only magnet school for the arts, which offers classes in performing or visual arts to approximately 300 students from six cities and two counties. The school system also has a program for gifted science students that enable them to study at Eastern Virginia Medical School.

During the 2002-2003 academic year the Norfolk Public Schools System received a number of awards and distinctions. The Council of the Great Schools, an organization consisting of approximately 60 of the nation’s largest urban school districts, awarded Dr. John O. Simpson, superintendent for Norfolk Public Schools, the Richard R. Green Award during its Fall 2002 conference. Further, the Norfolk School Board (the “School Board”) also earned national recognition during the school year. The School Board was one of 24 school districts to receive the prestigious Magna Award, presented by the American School Board Journal, for the School Board’s Parent Representation Program, a program designed to enhance student learning and encourage community involvement in schools. Finally, members of Norfolk Public Schools’ Class of 2003 earned nearly \$12 million in scholarships to attend colleges and universities located throughout the country.

Student population for the past five years is shown in Table C-13.

Table C-13
City of Norfolk, Virginia
Public Schools Student Population
Average Daily Membership
Fiscal Years 1999-2004

<u>Fiscal Year</u>	<u>Average Daily Membership</u>	<u>Percent Change</u>
1999	35,709	
2000	35,326	(0.11%)
2001	35,000	(0.09%)
2002	34,702	(0.09%)
2003	34,349	(0.10%)
2004	34,030	(0.09%)

Source: Virginia Department of Education. Superintendents Annual Report. Table 1, Membership.

Private Education

Over \$91 million has been invested in private educational facilities in the past five years, most of it in the past year. Saint Patrick Catholic School is slated to open in the fall of 2005. Specialized facilities concentrating on the arts and sports are increasingly popular. Norfolk Collegiate, Norfolk Academy and Norfolk Christian schools are all undergoing such development.

Higher Education

Old Dominion University. Old Dominion University (ODU) was founded in 1930 as the Norfolk Division of the College of William and Mary and became an independent institution in 1962. Currently, ODU is one of only 100 public research universities nationwide, with a full and part-time enrollment of nearly 21,000 students. The institution is a nationally recognized provider of distance learning programs, which are delivered to 60 sites within the Commonwealth, six other states, and at various military sites throughout the world. The University has a current \$600 million economic impact on the Hampton Roads region and operates a number of basic and applied research centers that complement the scientific work of NASA Langley, Jefferson Labs, and other federal and private laboratories in the region. Old Dominion University's online graduate engineering program is the largest in the nation, based on student enrollment numbers, thanks in large part to a unique CD-ROM program the University offers primarily to U.S. Navy nuclear-qualified officers.

Norfolk State University. Founded in 1935, Norfolk State University (NSU) is Virginia's largest public, historically black university (HBCU) and the seventh largest HBCU in the nation. The Fall 2003 enrollment total was 6,839. In addition to starting physical development of the R.I.S.E. Campus, the University is in the advanced stage of updating its Main Campus Master Plan and securing the City's endorsement. The University has Commonwealth of Virginia approval for a program of campus reinvestment and facilities construction and upgrades consistent with the updated master plan.

Virginia Wesleyan College. Virginia Wesleyan College, founded in 1966, is a private, coeducational, four-year liberal arts college on the Norfolk-Virginia Beach line. Approximately 1,442

students enrolled full and part-time in the 2004-2005 academic year. Virginia Wesleyan University's \$7.5 million, Village III Residences are expected to open early in 2005. This project will add 124 student beds in high-end housing comprised of one three-story apartment building housing 92 students and eight townhouses holding 32 students

Tidewater Community College. Tidewater Community College (TCC) is the second largest of the 23 community colleges in the Commonwealth of Virginia, enrolling more than 34,000 students annually. The college has been nationally recognized for its work in incorporating the best of technological advances into the teaching and learning process. It was recently cited by the American Council on Education as one of eight "Promising Practices" colleges and universities in the country for its work in international education. Forty-three percent of the region's residents who attended a college or university in Virginia last fall were enrolled at TCC.

Eastern Virginia Medical School. Eastern Virginia Medical School (EVMS) is one of three medical schools in Virginia and is Hampton Roads' first medical school. Students use over 30 area hospitals and clinics for practical training. The school relies on private funding, support from area cities, and limited state support to fulfill its mission. EVMS has made it possible for area residents to obtain specialized treatment locally, it has achieved a reputation which brings patients from other areas of the country for services in endocrinology, geriatrics pediatrics, oncology, otolaryngology, and reproductive medicine and infertility. EVMS recently successfully completed a \$62 million capital campaign that enabled it to create centers for biomedical research, general medical education and information technology, and aging and human development. The Medical School's full-time enrollment is 426 for the 2004 – 2005 academic year.

Institutional Technology Parks

Old Dominion University – University Village. Old Dominion University, in partnership with the City, the Norfolk Redevelopment and Housing Authority, and private developers, has initiated a large scale, mixed-use redevelopment project adjacent to its campus. This redevelopment project, the University Village, will directly impact 75 acres (13 City blocks) and result in over \$260 million in private and public investments within the project boundaries as well as stimulate additional development in the vicinity. The project includes student housing accommodating 960 students in apartments opened in time for the fall 2004 semester, complemented by approximately 50,000 square feet of street-level retail facing the Constant Center. In addition to the \$47 million Ted Constant Convocation Center, investments are in land assembly, the South Parking Garage, research/office buildings, apartments, and a hotel.

Norfolk State University's R.I.S.E Center. This 25-acre park will be an intergenerational, multi-purpose education and research facility enabling and promoting innovative applied technology development, business incubation and economic development activities. With a total of six Phases in all, facilities range from mixed-use labs, offices, and research to residential housing. Phases I & II will contain approximately 400,000 gross square feet, designed and constructed in a campus environment.

The second phase will house office spaces for new companies - these businesses will be able to take advantage of certain property tax breaks due to the building's location in Norfolk's enterprise/empowerment zone. In addition to the offices and tax breaks, the Center will feature

technological advances including a guaranteed backup energy source that will function independently from the rest of the area and access to Internet3, the next generation of the Internet.

Technology Partnerships

The \$30 million Public Health Center on Brambleton Avenue is a state-funded, state-of-the-art facility housing the Norfolk district's departments of Health, Forensics and other specialized agencies. In 2003, in a City-funded bio incubator space on the top floor, Eastern Virginia Medical School and Old Dominion University created a joint biotech research partnership – now home to a scientific world of biomedical research labs complete with laser technology and scientists. The Center for Bioelectronics is funded by grants awarded from the Federal Resources and Services Administration and the Air Force Office of Scientific Research.

In December 2004, Governor Warner proposed new forensic science funding for the expansion of the Eastern Regional Forensic Lab also located in the Public Health Center. The capital portion of the Governor's proposed amendments to the budget includes \$1.2 million to build-out 6,000 square feet of available space in the Eastern Regional Forensic Lab located in Norfolk. This expanded capacity will help meet the increased demand for scientific support by the criminal justice system.

VECTEC (Virginia Electronic Commerce Technology Center), at Christopher Newport University, assists small and mid-sized Virginia businesses with a variety of e-commerce services including e-commerce consulting, web site design and development, shopping systems and custom database development, e-government and non-profit assistance, e-commerce educational programs, and document and data retrieval services.

The Technology Applications Center (TAC) is an affiliate of Old Dominion University's College of Engineering and Technology. TAC leverages 30 state-of-the-art laboratory facilities and faculty expertise to solve specific engineering and management problems facing high-tech companies. TAC provides a wide spectrum of technical help including prototyping, customized testing, product development, and performance benchmarking.

The Economic Development Authority of the City of Norfolk continued funding two grants to be used by small businesses in 2004 totaling \$60,000 in appropriations to VECTEC and TAC.

Norfolk's Medical Institutions

Within the City of Norfolk there are a total of four general, acute care and specialized hospitals.

Sentara Healthcare. Sentara Norfolk General Hospital, a 569-bed tertiary care facility, is the region's only Level I Trauma Center. In 2002, Sentara Norfolk General's cardiac program ranked 23rd out of the 50 U.S. hospitals named for cardiac excellence.

Headquartered in Norfolk, Sentara is the premier not-for-profit health care provider in southeastern Virginia and northeastern North Carolina. Investments completed and underway include bricks and mortar and in cutting-edge technology. Sentara's new Heart Hospital will be a 112-bed, 254,000 square foot center – a \$100 million project. The Heart Hospital is leading the way for Sentara's 2010 expansion plan for the medical complex. Sentara Norfolk General also is investing approximately \$5 million in emergency room renovations.

Bon Secours DePaul Medical Center. The Bon Secours DePaul Medical Center has received \$8.6 million in state-of-the-art medical breakthrough equipment including advanced imaging services via a Computed Tomography (CT) Scanner, called the LightSpeed 16, the new EXCITE MRI machine that allows on-line viewing for physicians, and a Cardiac Catheterization Laboratory. In addition, a Linear Accelerator is coming on line in 2005 to allow more diagnostic information in the treatment of all types of cancers. DePaul's hospital-based cancer center is one of the area's leading providers of radiation therapy. The hospital also recently announced that it performed the first retinal endovascular cannulation procedure in Virginia. The Wound Care and Hyperbaric Oxygen Center identifies and corrects healing deficiencies responsible for problem wounds. Over 450 physicians practice at the Bon Secours facility.

Province Place of DePaul, the newest Bon Secours assisted living residence, opened in Spring 2000. This \$7.5 million facility is licensed to provide care to 96 residents.

Children's Hospital of the King's Daughters. Children's Hospital of The King's Daughters (CHKD) is the only facility of its kind in Virginia and includes a dedicated pediatric emergency center. It is both a health care facility and teaching hospital, through its affiliation with the Eastern Virginia Medical School, and is licensed for 186 beds. The not-for-profit hospital was founded in 1961 and provides care to nearly 130,000 children each year as inpatients and outpatients, addressing routine and complex illnesses, injuries and chronic conditions. The CHKD Health System operates primary care pediatric practices, surgical practices, multi-service Health Centers and satellite offices throughout its service region. Also, CHKD is affiliated with The Barry Robinson Center in Norfolk, a residential treatment center for children and adolescents with emotional problems or learning disabilities.

The Virginia Port Authority

In 1981, the Virginia General Assembly passed landmark legislation designed to unify the ports in southeastern Virginia Hampton Roads harbor under a single agency, the Virginia Port Authority, with a single operating company, the Virginia International Terminals, Inc. The Port of Virginia, one of the world's largest natural deep-water harbors, is an integral part of Norfolk's economy.

Norfolk's location is suitable for international transportation and maritime commerce. Situated in the middle of the U.S. Atlantic coast, the City serves as a gateway between world commerce centers and the industrial heartland of the United States. Accordingly, the local port industry has grown significantly. In addition to the Norfolk International Terminals, the Port of Virginia consists of Virginia's state-owned port system including Newport News Marine Terminal, Portsmouth Marine Terminal and Virginia Inland Port in Warren County.

The Virginia Port Authority is one of the largest general cargo ports on the east coast of the United States. In 2003, nearly 14 million tons of cargo shipped from the region's three main marine cargo terminals, marking the tenth consecutive year the Port of Virginia handled a record amount of general cargo. The cargo volume shipped in 2003 increased by 8.3% over that of 2002. Through October 2004, general cargo tonnage was up 5.5% from the same period in 2003. As a result of the events of September 11th, concern for security risk has increased. The Port of Virginia is one of the few U.S. Customs ports utilizing a computerized, truck-mounted gamma-ray machine to check containers' density. This technology allows monitors to ensure that the cargo being tested is what it is supposed to be and takes only 6 seconds per container.

Table C-14
Virginia Port Authority Terminals
General Cargo Tonnage
Calendar Years 1999 – 2003

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Totals	11,813,048	11,969,105	11,546,482	12,824,430	13,983,616

Source: Virginia Port Authority.

Port-related business increased at the Virginia International Terminals, driving new capital investment into the region. By 2010, a 300-acre expansion of Norfolk International Terminal will be completed making it the largest inter-modal center in the United States. Strong growth in Asian shipping; West Coast ports' labor lockouts; as well as increasing traffic at regional distribution centers, have increased business at the Port of Virginia. Norfolk International Terminals (NIT) and the south berth are undergoing a \$280 million renovation that includes the purchase of eight of the largest container cranes in the world. The entire project should be completed by summer, 2005. Phase I of the NIT South wharf construction project is over 75% complete. Phase II of the NIT South improvements focuses on the backlands reconstruction for the straddle carrier operation and renovation of 96 acres of container yard. In addition, the NIT Command and Control Center is 99% complete and provides state-of-the-art facility for Security Operations, an additional \$5.6 million investment.

Business, Industry and Commerce

A variety of industrial, commercial and service employers are located within the City. Table C-15 presents data regarding the principal businesses in the City.

Table C-15
City of Norfolk, Virginia
Principal Non-Government Employers in 2004

Company	Number of Employees	Product/Service
	10,000+	
Sentara Healthcare		Health Care Facilities
	2,500 - 9,999	
Ford Motor Company, Inc.		Truck Manufacturing
	1,500 - 2,499	
Bank of America, NA		Banking
Children's Hospital of The King's Daughter		Health Care Facilities
Old Dominion University		Colleges and Universities
	1,000 - 1,499	
Bon Secours DePaul Medical Center		Health Care Facility
Landmark Communications, Inc.		Newspapers and Media
Medical College of Hampton Roads		Private Colleges and Universities
Norfolk Southern Corporation		Railroads
NORSHIPCO		Shipbuilders and Repairers
	500 – 999	
American Funds Group		Mutual Funds
Anderson Commercial Photography		Commercial Photography
Coopervision		Wholesale Optical Goods
General Foam Plastics Corporation		Plastic Extractions
Metro Machine Corporation		Ship Builders and Repairers
Nash Finch Company, Inc.		Food Retail and Distribution
Norfolk Southern Corporation		Railroads
YMCA		Social Service
SunTrust Financial Corporation		Commercial Banking
Wachovia Corporation		Banking

Source: Virginia Employment Commission, 1st Quarter, 2004.

Table C-16 is a representation of selected business growth or expansion in Fiscal Year 2004.

Table C-16
City of Norfolk, Virginia
Business Growth
A Sampling of Business Activity in 2004

ABNB Federal Credit Union	\$1,000,000	New branch in Central Business Park
Boatel - East Ocean View	10,000,000	66,000 square foot building with a 500-boat dry storage capacity. Includes a bait and tackle store at Taylor's Landing Marina.
CMA CGM	11,500,000	North American maritime headquarters in Lake Wright Executive Center
Continental Broadband	233,000	Internet Service Provider
Delphinus Engineering	2,250,000	Central Business Park; 2 buildings; 27,000 square foot building
Ford Norfolk Assembly Plant	35,000,000	Expansion
Furniture Classics consolidation	2,500,000	Purchased the Glopax Building (140,000 square feet) which will consolidate six warehouses.
Hampton Roads Maritime Association	10,000,000	Terminal Boulevard
Independence Air	---	Low-fare air carrier
Marine Hydraulics International	15,000,000	Purchase of 6 acres including 1,400 foot pier
Mark Barr I	1,800,000	Central Business Park; 2.4 acres; 18,700 square foot building
Mark Barr II	1,800,000	Central Business Park; .02 acres; 19,500 square foot building
P & P LLC	3,000,000	Office/Flex space at 18 th & Church Streets
Central Center Buildings	4,000,000	40,000 square foot building in Central Business Park; 3 stories
Ride-A-Way Corp.	1,000,000	Disabled-modified vehicles supplier
Rutter Mills law firm	2,300,000	Purchase and renovation of the Commonwealth Building and Loan Association building
Sentara Heart Hospital	100,000,000	Heart hospital
Targeted Publications	550,000	Specialty publications
Taylor Real Estate, Inc.	5,000,000	Central Business Park; 6.2 acres; three 20,000 square foot flex buildings
Trader Publishing Electronic Media Headquarters	51,000,000	High rise office tower with ground floor retail and 444-space parking garage
Virginia Oncology Phase II	2,000,000	Radiology lab equipment
	<u>\$259,933,000</u>	

Business Parks

Central Business Park. At Southern Shopping Center, adjacent to Central Business Park (CBP), a \$30 million Wal-Mart store has been announced and will be developed. In addition, ABNB (Army Base Navy Base) Federal Credit Union opened a new branch in February 2004 on the site. Planned office building development includes: 1) the Central Center Building, a 40,000 square foot three-story office development; 2) three, 20,000 square foot flex buildings on 6.2 acres; 3) a 26,000 square foot building and a 50,100 square foot building on 4.7 acres; and 4) a 18,700 square foot and a 19,500 square foot multi-tenant office/flex buildings costing \$1.8 million each on a 2.0 acre site and a 2.4 acre site. These planned projects will nearly complete the build out of the 41.0-acre Park, which is marketed at \$115,000 per acre.

Newtown Road Area. Development in the general area encompassing Newtown Road, I-64/Koger and Riverside Corporate Center includes Springhill Suites, a \$14.5 million, 120-suite hotel project, and a

new Ruby Tuesday's. Further, Portfolio Recovery Associates built a \$2.5 million, 25,000 square foot building in the Riverside Corporate Center, which opened in 2003.

Church Street. P&P LLC office/flex space at 18th & Church Streets, a \$5.3 million project, is a public/private project between P&P, LLC and the City of Norfolk. It will create a flex/office park with seven buildings on approximately five acres. Four office buildings will measure 10,000 to 11,000 square feet each; and the three office/flex buildings will be 10,000 square feet each.

Norfolk Industrial Park. The Norfolk Industrial Park and adjacent land serve as home to several of the City's most rapidly expanding businesses. The majority of the park is in a special district zoned for empowerment, enterprise and hub zone benefits. Recently, MDV Nash Finch, a large distributor of perishable goods for the U.S. military command in Norfolk, expanded its presence in the Norfolk Industrial Park by purchasing a vacant 200,000 square foot warehouse facility for \$3.4 million. The company is making additional capital improvements to the property for a total investment of approximately \$1.2 million.

Lake Wright Executive Center. In February 2004, the City announced that CMA CGM would consolidate their North American headquarters and operations from New Jersey and Virginia Beach to Lake Wright Executive Center. They are building an 80,000 square foot office building on the last remaining parcel at Lake Wright. Total private investment is to be over \$11.5 million. They will create over 375 new jobs for Norfolk with an average salary of over \$40,000, excluding benefits. This completes the development of Lake Wright Executive Center, which has received over \$40 million of new investment in the past year. In May 2004, Virginia Oncology Associates moved into Lake Wright's medical office building that was developed by the Gee's Group.

Maritime Business Investment

The new Hampton Roads Maritime Center is a complement to the Virginia Port's expansion. The construction of this 23-acre center on International Terminal Boulevard was announced in August 2004 and is scheduled for completion by late spring 2005. The \$10 million project will house two shipping industry trade groups, the Hampton Roads Maritime and the Hampton Roads Shipping Associations. The complex will include two office buildings, a 15-foot sound wall and a training work yard.

In 2004, Marine Hydraulics International, Inc. opened the largest privately owned pier on the East Coast, investing \$21 million in a 1,220 foot long new pier at Lamberts Point made with 6.25 miles of concrete and 300,000 pounds of steel. This new pier is capable of docking four destroyers or two aircraft carriers.

Dredging has begun on the \$400 million Maersk Sealand cargo terminal on 560 undeveloped acres on the Portsmouth waterfront – across the Elizabeth River from the downtown and Berkley sections of Norfolk with construction of the terminal expected to be completed in 2007. The facility will feature 4,000 feet (1,219 meters) of deepwater berth space (four times the current amount), and serve as a Mid-Atlantic platform for future growth. Many high profile international companies have significant operations in the region and others are actively eyeing major distribution centers for the future. The amount of cargo shipped through Hampton Roads is expected to at least double by 2020, in part due to the area's attraction as a major distribution center. A.P. Møller is the parent company of Maersk Sealand, the world's largest shipping line.

Military

The presence and role of the military in Norfolk remains a positive force and continues to have a significant impact on the local economy. The City is the home of the world's largest naval complex, with headquarters for Commander in Chief of U.S. Atlantic Command, NATO's Supreme Allied Command Atlantic, Commander in Chief U.S. Atlantic Fleet and other major naval commands. Although the military remains a key part of Hampton Roads' economy, the region has successfully diversified its economy in recent years.

The Navy's direct economic impact on the region was \$9.97 billion in 2003, comprised of a total annual payroll of \$6.37 billion and the balance consumed on goods and services and procurement contracts. The City expects to continue as a center of activity for the U.S. Navy with current total personnel (military and civilian) in excess of 70,000. There were 85,002 active-duty Navy military personnel in Hampton Roads in 2003, of which 71% were assigned to Norfolk.

Hampton Roads is the largest center of Coast Guard units in the world with the Atlantic Area Command and Maritime Defense Zone Atlantic in Portsmouth and its Maintenance & Logistic Command Atlantic headquarters in downtown Norfolk.

NATO announced plans to expand its headquarters in Norfolk in December 2004. NATO leaders unveiled a \$6.9 million, five-story expansion to its Norfolk complex, part of an \$11 million, multiyear project. The work is expected to be completed in 2006. The Allied Command Transformation, one of two NATO supreme commands expects to expand its civilian and military work force 16 percent to 750 employees from 624 by 2006.

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APPENDIX D

FORM OF BOND COUNSEL OPINION

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[Proposed Form of Bond Counsel Opinion]

June 15, 2005

Mayor and Council of the
City of Norfolk, Virginia
Norfolk, Virginia

\$26,045,000
City of Norfolk, Virginia
Parking System Revenue Refunding Bonds
Series 2005A

Ladies and Gentlemen:

We have served as Bond Counsel to the City of Norfolk, Virginia (the “City”), in connection with the issuance and sale of its \$26,045,000 Parking System Revenue Refunding Bonds, Series 2005A (the “2005A Bonds”), dated their date of issuance, June 15, 2005. The 2005A Bonds are issued pursuant to a Master Indenture of Trust dated as of February 1, 1997, as previously supplemented and amended (the “Master Indenture”), between U.S. Bank Trust National Association, as successor trustee (the “Trustee”), and the City, as further supplemented by a Seventh Supplemental Indenture of Trust dated as of June 1, 2005 (the “Seventh Supplemental Indenture”), between the City and the Trustee with respect to the 2005A Bonds. The Master Indenture and the Seventh Supplemental Indenture are referred to collectively as the “Indenture.” Unless otherwise defined, each capitalized term used in this opinion has the meaning given to it in the Master Indenture.

We refer you to the 2005A Bonds, the Master Indenture and the Seventh Supplemental Indenture for a description of the purposes for which the 2005A Bonds are issued, its terms and the security for it.

In connection with this opinion, we have examined the Constitution of Virginia and the applicable laws of both the United States and the Commonwealth of Virginia, including without limitation the Internal Revenue Code of 1986, as amended (the “Code”), and the Public Finance Act of 1991, Chapter 26, Title 15.2, Code of Virginia of 1950, as amended, and copies of proceedings and other documents relating to the issuance and sale of the 2005A Bonds by the City as we have deemed necessary to render this opinion.

Without undertaking to verify the same by independent investigation, we have relied on (a) computations provided to Chris D. Berens, CPA, P.C., the mathematical accuracy of which has been verified by them, relating to the yield of investments in the escrow fund established in connection with the refunding of certain of the City's Parking System Revenue Bonds, Series 1997 (the "Refunded Bonds"), and the yield on the 2005A Bonds and (b) certifications by representatives of the City as to certain facts relevant to both our opinion and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), including (i) the proceeding authorizing the issuance of the Refunded Bonds, (ii) the use, investment and expenditure of the proceeds of the Refunded Bonds and (iii) the projects financed by the proceeds of the Refunded Bonds.

MBIA Insurance Corporation (the "Insurer") has issued its municipal bond insurance policy (the "Policy") with respect to the 2005A Bonds. Reference is made to the Policy for a full statement of its terms and conditions and to the opinion of counsel to the Insurer as to the due authorization, execution and delivery of the Policy and the enforceability thereof.

As to questions of fact material to this opinion, we have relied upon (a) representations of the City, including, without limitation, representations as to the use of proceeds of the 2005A Bonds, (b) certifications of public officials furnished to us, and (c) certifications and representations contained in certificates of the City and others delivered at closing, without undertaking to verify them by independent investigation. We have assumed that all signatures on documents, certificates, and instruments examined by us are genuine, all documents, certificates, and instruments submitted to us as originals are authentic, and all documents, certificates, and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates, and instruments relating to this financing have been duly authorized, executed, and delivered by all parties to them other than the City, and we have further assumed the due organization, existence, and powers of all parties other than the City.

Based on the foregoing, in our opinion, under current law:

1. The City has the requisite authority and power to enter into the Indenture, to issue and sell the 2005A Bonds and to apply the proceeds from the issuance and sale of the 2005A Bonds as set forth in the Seventh Supplemental Indenture. Neither the faith and credit of the Commonwealth of Virginia nor the faith and credit of the City or any other political subdivision of the Commonwealth of Virginia are pledged to the payment of the principal of or premium, if any, or interest on the 2005A Bonds.

2. The 2005A Bonds have been duly authorized, executed, and delivered in accordance with the Constitution and statutes of the Commonwealth of Virginia and the Master Indenture and the Seventh Supplemental Indenture and constitute valid and binding limited obligations of the City, payable solely from the Net Revenues and other property pledged for such purpose under the Master Indenture and the Seventh Supplemental Indenture for the security of the 2005A Bonds on a parity with Bonds previously issued and any additional Bonds to be issued in the future under the Master Indenture and any Parity Indebtedness.

3. The Master Indenture has been duly authorized, executed, and delivered by the City, constitutes a valid and binding obligation of the City, and is enforceable against the City in accordance with its terms. The Seventh Supplemental Indenture complies in all respects with the requirements of the Master Indenture.

4. The Master Indenture requires the City to fix, revise, and collect rates, fees, and other charges for the use of and for the services furnished by the Facilities so that Net Revenues will be sufficient to pay when due, among other things, Operating Expenses and the principal of and interest on the 2005A Bonds.

5. Additional Bonds may be issued and Parity Indebtedness incurred from time to time under the conditions, limitations, and restrictions set forth in the Master Indenture, and will be secured equally and ratably as to the pledge of Net Revenues with the 2005A Bonds.

6. The obligations of the City under the 2005A Bonds and the Master Indenture and Seventh Supplemental Indenture are subject to the provisions of applicable bankruptcy, insolvency, reorganization, moratorium, and similar laws, now or hereafter in effect, relating to or affecting the enforcement of creditors' rights generally. Such obligations are also subject to usual equitable principles, which may limit the specific enforcement of certain remedies but which do not affect the validity of the obligations.

7. Interest on the 2005A Bonds is excludable from gross income for purposes of federal income taxation and will not be a specific item of tax preference for purposes of the federal alternative minimum income tax imposed on individuals and corporations (a "Specific Tax Preference Item"). It should be noted, however, that for purposes of the alternative minimum tax imposed on corporations (as defined for federal income tax purposes) under Section 56 of the Code, interest on the 2005A Bonds must be included in computing adjusted current earnings.

In delivering this opinion, we are assuming continuing compliance with the covenant by the City to comply with the provisions of the Code, so that interest on the 2005A Bonds will remain excludable from gross income for federal income tax purposes and not become a Specific Tax Preference Item. Failure by the City to comply, subsequent to the issuance of the 2005A Bonds, with certain requirements of the Code regarding the use, expenditure and investment of bond proceeds, the use of property financed thereby and the timely payment of certain investment earnings to the Treasury of the United States may cause interest on the 2005A Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the 2005A Bonds.

8. Interest on the 2005A Bonds is excludable from gross income for purposes of income taxation by the Commonwealth of Virginia.

Our services as Bond Counsel to the City have been limited to rendering the foregoing opinion based on our review of such legal proceedings as we deem necessary to approve the validity of the 2005A Bonds and render the tax opinion above. The foregoing opinion is in no respect an opinion as to the City's business or financial resources, the City's ability to provide for the payment of the 2005A Bonds or the accuracy, completeness, or sufficiency of the

Preliminary Official Statement, the Official Statement or other offering material relating to the 2005A Bonds and, therefore, we express no opinion as to the accuracy or completeness of the Preliminary Official Statement, the Official Statement or any other information that may have been relied upon by any owner of the 2005A Bonds or anyone else in making a decision to purchase the 2005A Bonds.

Very truly yours,

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by the City of Norfolk, Virginia (the “City”), in connection with the issuance by the City of \$26,045,000 original aggregate principal amount of its Parking System Revenue Refunding Bonds, Series 2005 (the “2005A Bonds”), pursuant to Ordinance No. 41,731 adopted by the Council of the City on March 1, 2005 (the “Ordinance”), and a Master Indenture of Trust dated as of February 1, 1997, as previously supplemented and amended, between the City and U.S. Bank Trust National Association, as successor trustee (the “Trustee”), as supplemented by a Seventh Supplemental Indenture of Trust dated as of June 1, 2005, between the City and the Trustee (collectively, the “Indenture”). The proceeds of the 2005A Bonds will be used (i) to refund all or a portion of the refundable amounts of the 2009 maturity and the 2020 through 2027 maturities, inclusive, of the 1997 Bonds (the “Refunded 1997 Bonds”) and (ii) to pay all or a portion of the costs of issuance and other financing charges related to the 2005A Bonds. Pursuant to the Ordinance, the City approved the offering and sale of the 2005A Bonds to the public pursuant to an Official Statement relating to the 2005A Bonds, dated May 25, 2005 (the “Official Statement”). The City has determined that it constitutes an “obligated person” within the meaning of the Rule (hereinafter defined) with respect to the 2005A Bonds and, accordingly, hereby represents, covenants and agrees as follows:

Section 1. Purpose of the Disclosure Agreement; Representation. This Disclosure Agreement is being executed and delivered by the City for the benefit of the Holders (as defined below) and in order to assist the Participating Underwriters in complying with the Rule (as defined below). The City acknowledges that it is undertaking primary responsibility for any reports, notices or disclosures that may be required under this Disclosure Agreement.

Section 2. Definitions. In addition to the definitions set forth in the Ordinance, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Financial Information” with respect to any Fiscal Year of the City means the following:

- (i) the financial statements (consisting of at least a balance sheet and a statement of revenue, expenses and changes in fund net assets and statement of cash flows) of the City’s Parking Facilities Fund, which (A) are prepared annually in accordance with generally accepted accounting principles in effect from time to time consistently applied (provided that nothing in this Disclosure Agreement will prohibit the City after the date of the Official Statement from changing such principles so as to comply with generally accepted accounting principles as then in effect or to comply with a change in applicable Virginia law); and (B) are audited by an independent certified public accountant or firm of such accountants in accordance with generally accepted auditing standards as in effect from time to time; and

(ii) updates of the operating data contained in the following subsections of the section of the Official Statement entitled "PARKING SYSTEM OPERATION AND MANAGEMENT" (such operating data may be presented in the form of tables): "Parking Rates," "Parking Fines," the parking ticket collection rate and revenues as described in the second paragraph of the subsection entitled "Collection and Enforcement Procedures," "Budget Process" and "Results of Operations" (the two most recent Fiscal Years only).

"Dissemination Agent" shall mean the City, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"Fiscal Year" shall mean the twelve-month period, at the end of which the financial position of the City and the results of its operations for such period are determined. Currently, the City's Fiscal Year begins July 1 and continues through June 30 of the next year.

"Holder" shall mean, for purposes of this Disclosure Agreement, any person who is a record owner or beneficial owner of a 2005 Bond.

"Make Public" or "Made Public" has the meaning set forth in Section 4 of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"NRMSIR" shall mean each nationally recognized municipal securities information repository approved as such by the SEC from time to time.

"Participating Underwriter" shall mean any of the original underwriters of the 2005A Bonds required to comply with the Rule in connection with the offering of such 2005A Bonds.

"Rule" shall mean Rule 15c2-12 under the Securities Exchange Act of 1934 and any similar rules of the SEC relating to disclosure requirements in the offering and sale of municipal securities, all as in effect from time to time.

"SEC" shall mean the U.S. Securities and Exchange Commission.

"SID" shall mean any state-based information depository existing from time to time in the Commonwealth of Virginia for the purpose of receiving information concerning municipal securities and recognized as such by the SEC.

Section 3. Obligations of the City. (a) the City shall complete the preparation of the Annual Financial Information with respect to any Fiscal Year of the City not later than 270 days after the end of such Fiscal Year.

(b) The City shall, in accordance with the Rule, Make Public or cause to be Made Public by the Dissemination Agent (if other than the City), the Annual Financial Information within 30 days after it is prepared.

(c) The City shall Make Public or cause to be Made Public by the Dissemination Agent (if other than the City), in a timely manner, notice of any of the following events that may from time to time occur with respect to the 2005A Bonds, but with respect to the items in (i) through (xi), only if material:

- (ii) principal and interest payment delinquencies;
- (iii) non-payment related defaults;
- (iv) unscheduled draws on debt service reserves reflecting financial difficulties;
- (v) unscheduled draws on any credit enhancement maintained with respect to the 2005A Bonds reflecting financial difficulties;
- (vi) substitution of credit or liquidity providers, or their failure to perform;
- (vii) adverse tax opinions or events affecting the tax-exempt status of interest on the 2005A Bonds;
- (viii) modifications to rights of Holders;
- (ix) bond calls;
- (x) defeasances;
- (xi) release, substitution or sale of property securing repayment of the 2005A Bonds;
- (xii) rating changes; and
- (xiii) the failure of the City on or before the date required by this Disclosure Agreement to provide Annual Financial Information to the persons and in the manner required by this Disclosure Agreement;

provided that nothing in this subsection (c) shall require the City to maintain any debt service reserve, credit enhancement or credit or liquidity providers with respect to the 2005A Bonds or to pledge any property as security for repayment of the 2005A Bonds.

(d) The City shall notify each NRMSIR (as defined below) of any change in its Fiscal Year not later than the date on which it first provides any information to the NRMSIRs in the current Fiscal Year.

Section 4. Information Made Public. Information shall be deemed to have been “Made Public” for purposes of this Disclosure Agreement if transmitted to each of the following as herein required:

(a) (i) each NRMSIR, at its then current address, including the following NRMSIRs existing as of the date hereof:

Bloomberg Municipal Repositories

P.O. Box 840
Princeton, New Jersey 08542-0840
Phone: (609) 279-3225
Fax: (609) 279-5962
E-Mail: Munis@Bloomberg.com

DPC Data Inc.

One Executive Drive
Fort Lee, New Jersey 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
E-Mail: nrmsir@dpcdata.com

FT Interactive Data

Attn: Repository
100 Williams Street
New York, New York 10038
Phone: (212) 771-6899
Fax: (212) 771-7390
E-Mail: NRMSIR@interactivedata.com
Website: <http://www.InteractiveData.com>

Standard & Poor’s Securities Evaluations, Inc.

55 Water Street
45th Floor
New York, New York 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
E-Mail: nrmsir_repository@sandp.com

(ii) at its then current address, the SID, if any; provided that in the case of any information Made Public under Section 3(c), such information may be provided to the MSRB at the following address (or such other address as

may at the time be in effect), in lieu of providing it to the NRMSIRs as described in clause (i) above:

Municipal Securities Rulemaking Board

1640 King Street
Suite 300
Alexandria, Virginia 22314
Phone: (202) 223-9503
Fax: (703) 683-1930

Section 5. Incorporation by Reference. Any or all of the Annual Financial Information may be incorporated by reference from other documents, including official statements containing information with respect to the City, which have been filed with each of the NRMSIRs or the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so incorporated by reference.

Section 6. CUSIP Numbers. The City shall reference, or cause the Dissemination Agent (if other than the City) to reference, the CUSIP prefix number for the 2005A Bonds in any notice provided to the NRMSIRs, the MSRB and/or the SID pursuant to Sections 3 and 4.

Section 7. Termination of Reporting Obligation. The obligations of the City under this Disclosure Agreement shall terminate upon the earlier to occur of the legal defeasance or final retirement of the 2005A Bonds.

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the City shall be the Dissemination Agent.

Section 9. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement, if such amendment is supported by an opinion of independent counsel with expertise in federal securities laws addressed to the City and the Underwriter for the 2005A Bonds to the effect that such amendment is permitted or required by the Rule.

Section 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of occurrence of an event listed in Section 3(c), in addition to that which is required by this Disclosure Agreement. If the City chooses to report any information in any Annual Financial Information or include any information in a notice of occurrence of an event listed in Section 3(c), in addition to that which is specifically required by this Disclosure Agreement, the City shall have no

obligation under this Disclosure Agreement to update such information or include it in any future Annual Financial Information or notice of occurrence of such an event.

Section 11. Default. Any Holder, whether acting jointly or severally, may take such action as may be permitted by law against the appropriate public official to secure compliance with the obligations of the City under this Disclosure Agreement. In addition, any Holder, whether acting jointly or severally, may take such action as may be permitted by law to challenge the adequacy of any information provided pursuant to this Disclosure Agreement, or to enforce any other obligation of the City hereunder. A default under this Disclosure Agreement shall not be deemed an event of default under the Ordinance or the Indenture or other debt authorization of the City, and the sole remedy under this Disclosure Agreement in the event of any failure of the City to comply herewith shall be an action to compel performance. Nothing in this provision shall be deemed to restrict the rights or remedies of any Holder pursuant to the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, or other applicable laws.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Participating Underwriters and Holders from time to time of the 2005A Bonds, and shall create no rights in any other person or entity.

Section 13. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

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Date: June 15, 2005

CITY OF NORFOLK, VIRGINIA

By: _____
City Manager
City of Norfolk, Virginia

By: _____
Director of Finance
City of Norfolk, Virginia

Approved as to Form and Correctness:

Office of the City Attorney
City of Norfolk, Virginia

AGREED TO AND ACKNOWLEDGED:
Banc of America Securities LLC

By: _____
Title: _____

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APPENDIX F

SPECIMEN BOND INSURANCE POLICY

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FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the “Insurer”), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the “Paying Agent”) of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects, in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the “Insured Amounts.” “Obligations” shall mean:

**[PAR]
[LEGAL NAME OF ISSUE]**

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term “owner” shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

President

Attest:

Secretary

SPECIMEN

